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Kenya Airways

The Pride of Africa

Annual Financial Report & Accounts 2004/05



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1	Contents
2	Highlights of the year
4	Notice to the Annual General Meeting 2005
5-6	Board of Directors
8-12	The Chairman's Statement Taarifa ya Mwenyekiti
13-14	Management Team
16-30	Chief Executive's Statement Taarifa ya Afisa Mkuu
32-33	Corporate Governance
34	Shareholding
36	Three year Summary of Financial Highlights
37	Directors and Professional Advisors
38	Report of the Directors
39	Statement of Directors' Responsibilities
40	Report of the Independent Auditors
	Financial Statements:
41-42	Consolidated Income Statement
43-44	Consolidated Balance Sheet
45-46	Consolidated Statement of Changes in Equity
47	Consolidated Cash Flow Statement
48-74	Notes to the Financial Statements
75	Glossary

KENYA NATIONAL ASSEMBLY
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Highlights
of the Year
and operating
statistics

Group Results

Turnover (KShs Millions)

Up 36.3%

2004-2005

42,234

2003-2004

30,984

Profit Before Tax (KShs Millions)

Up 166.0%

2004-2005

5,520

2003-2004

2,075

Capital & Reserves (KShs Millions)

Up 46.4%

2004-2005

12,329

2003-2004

8,420

Operating Profit (KShs Millions)

Up 146.1%

2004-2005

6,589

2003-2004

2,677

Net Profit (KShs Millions)

Up 198.2%

2004-2005

3,882

2003-2004

1,302

Earning Per Share (KShs)

Up 197.8%

2004-2005

8.40

2003-2004

2.82

Key Financial Statistics

Debt/Equity Ratio

Up 14.8%

2004-2005

3.1

2003-2004

2.7

Operating Margin (%)

Up 7% points

2004-2005

15.6

2003-2004

8.6

Interest Cover

Up 63.0%

2004-2005

7.5

2003-2004

4.6

EBITDAR Margin (%)

Up 4.7% points

2004-2005

27.6

2003-2004

22.9

Operating Statistics

Passengers Carried

Up 20.0%

2004-2005

2,041,487

2003-2004

1,701,170

Revenue Passengers KM (Millions)

Up 28.9%

2004-2005

5,627

2003-2004

4,366

Cabin Factor (%)

Up 5.2% points

2004-2005

75.4

2003-2004

70.2

Cargo (Tonnes)

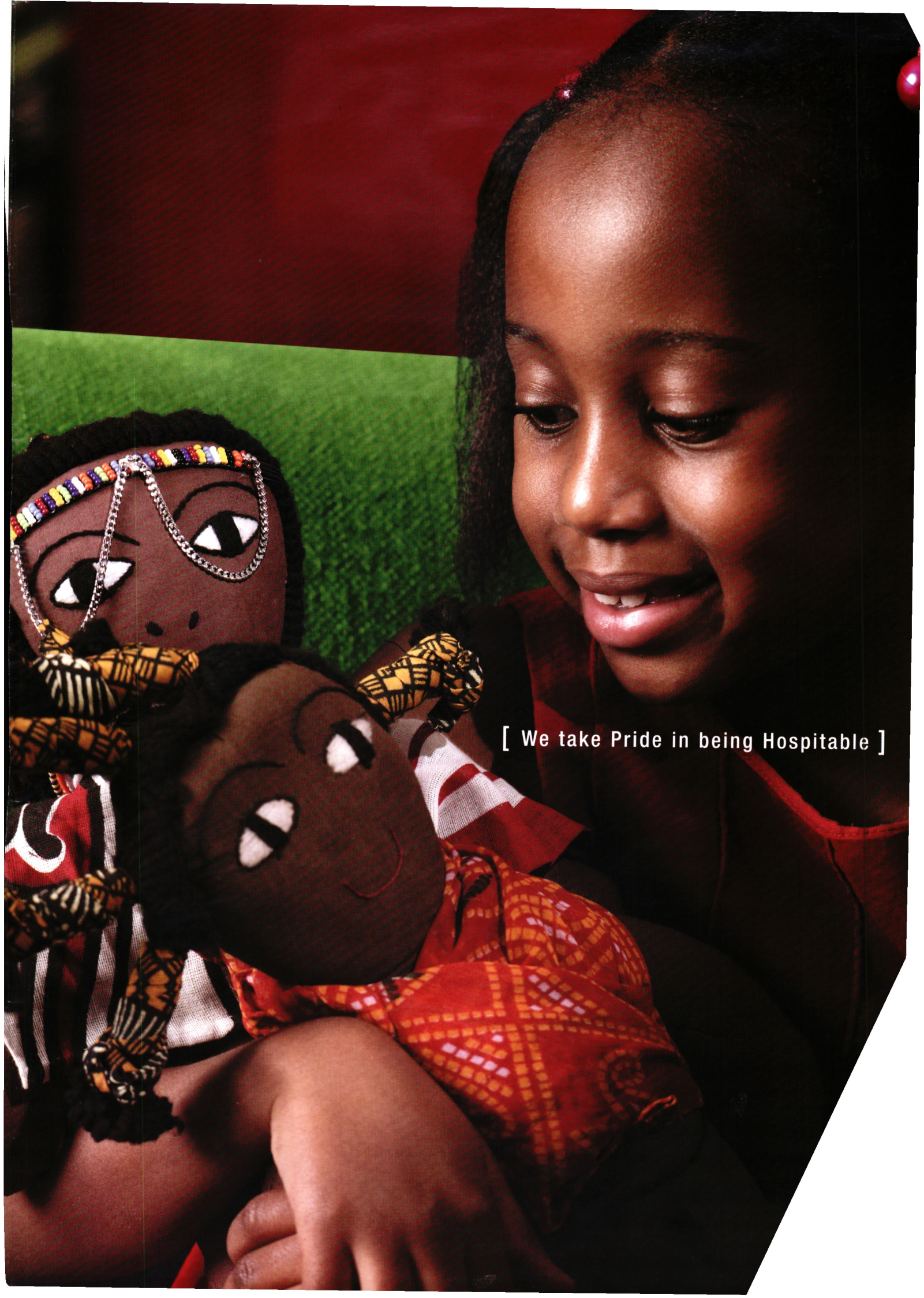
Up 38.1%

2004-2005

44,405

2003-2004

32,147



[We take Pride in being Hospitable]

**Notice to the
Annual General
Meeting 2005**

**Ilani ya
Mkutano
Mkuu 2005**

NOTICE IS HEREBY GIVEN that the 29th Annual General Meeting of the Company will be held at the Bomas of Kenya, Langata Highway/Forest Edge Road, Nairobi on Friday 12 August 2005 at 11.00 am to conduct the following business:

- 1 To table the proxies and note the presence of a quorum.
- 2 To read the notice convening the meeting.
- 3 To consider and, if approved, adopt the Balance Sheet and Accounts for the year ended 31 March 2005 together with the Directors' and Auditors' Reports thereon.
- 4 To declare a final dividend of KShs 1.25 per share for the financial year ended 31 March 2005 and approve the closure of the Register of Members from the close of business on Friday 12 August 2005 upto and including Tuesday 23 August 2005.
- 5 To elect Directors:
 - a) Dr Christopher W Obura retires by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, offers himself for re-election.
 - b) Mr Issac E Omolo Okero retires by rotation in accordance with Article 84 of the Company's Articles of Association and does not seek re-election.
 - c) Mr R Neil Canty, who was appointed an additional Director of the Company on 28 January 2005, retires in accordance with Article 90 of the Company's Articles of Association and, being eligible, offers himself for re-election.
- 6 To approve the Directors remuneration.
- 7 To authorise the Directors to fix the remuneration of the Auditors, Deloitte & Touche.

BY ORDER OF THE BOARD

Fiona C Fox
SECRETARY
P O BOX 41968
NAIROBI
Date: 26 May 2005

Notes:

1. Any member may by notice duly signed by him or her and delivered to the Secretary, Chunga Associates, 7th floor, The Rahimtulla Tower, Upper Hill Road, PO Box 41968, GPO 00100, Nairobi, not less than 7 and not more than 21 days before the date appointed for the Annual General Meeting, give notice of his intention to propose any other person for election to the Board, such notice is to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the company.
2. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is attached to this notice, must be duly completed and signed by the member and must either be lodged at the offices of the company's share registrars, Barclays Advisory & Registrar Services, Bank House, Moi Avenue, PO Box 30120, GPO 00100, Nairobi or be posted, so as to reach Barclays Advisory & Registrar Services not later than Thursday 11 August 2005 at 11.00 am.

ILANI INATOLEWA HAPA KWAMBA mkutano mkuu wa 29 wa kila mwaka utafanyika kwenye ukumbi wa Bomas of Kenya, kwenye barabara ya Langata/Forest Edge, Nairobi mnamo siku ya Ijumaa tarehe 12 Agosti mwaka 2005 kuanzia saa Tano kamili asubuhi kuendesha shughuli zifuatazo:

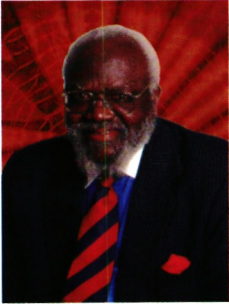
1. Kuorodhesha majina ya wawakilishi wenyehisa na kujua idadi ya waliohudhuria mkutano.
2. Kusoma Ilani ya kuitisha mkutano.
3. Kupokea na kuthibitisha na, ikithibitishwa, kukubali taarifa za fedha za mwaka uliomalizika tarehe 31 Machi 2005 pamoja na Taarifa za Wakurugenzi na Wakaguzi wa Hesabu.
4. Kutangaza mgawo wa faida wa mwisho wa Ksh 1.25 kwa kila hisa kwa mwaka uliomalizika tarehe 31 Machi 2005 na kuthibitisha kufungwa kwa Jarida la wenyehisa waliosajiliwa hadi kufikia kufungwa kwa shughuli za kazi Ijumaa tarehe 12 Agosti 2005 pamoja na Jumanne tarehe 23 Agosti mwaka 2005.
5. Kuchagua Wakurugenzi:
 - a) Dkt Christopher W Obura anastaafu kwa zamu kulingana na kifungu cha 84 cha Kanuni za Makampuni, anajitolea kuchaguliwa tena kuwa Mkurugenzi.
 - b) Bw Isaac E Omolo Okero anastaafu kwa zamu kulingana na kifungu cha 84 cha Kanuni za Makampuni na hatajitolea tena kuchaguliwa kuwa Mkurugenzi.
 - c) Bw R Neil Canty, ambaye aliteuliwa Mkurugenzi wa ziada manmo tarehe 28 Januari mwaka 2005, anastaafu kulingana na kifungu cha 90 cha Kanuni za Makampuni na, anajitolea kuchaguliwa tena kuwa Mkurugenzi.
6. Kuidhinisha malipo ya Wakurugenzi.
7. Kuwaruhusu Wakurugenzi kuamua malipo ya Wakaguzi wa Hesabu, Deloitte & Touche.

KWA AMRI YA HALMASHAURI YA WAKURUGENZI

Fiona C Fox
KATIBU
P O BOX 41968
NAIROBI
Tarehe: 26 Mei 2005

ILANI:

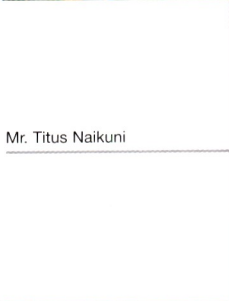
1. Mwenyehisa yoyote anaweza kumpendekeza Mkurugenzi amtakaye kuchaguliwa katika Halmashauri ya Wakurugenzi wa shirika, kwa ilani yenye saine yake, kufikishwa kwa Katibu, Chunga Associates, gorofa ya 7, Jumba la Rahimtulla Tower, barabra ya Upper Hill, P O Box 41968, GPO 00100, Nairobi, katika muda usiopungua siku saba na usiyozidi siku 21 kabla ya siku ya mkutano mkuu, ilani hiyo lazima iambatane na nyengine yenye saine ya mtu aliyependekezwa kuthibitisha amekubali kuchaguliwa. Anayependekezwa si lazima awe mwanachama wa shirika.
2. Mwenyehisa anayeruhusiwa kisheria kuhudhuria mkutano mkuu wa kila mwaka na kupiga kura lakini hana nafasi ya kufika ana haki kisheria kumchagua mtu atakayehudhuria mkutano na kumpigia kura kwa niaba yake. Mwakilishi huyo si lazima awe na hisa kwenye shirika. Ili kukubaliwa, fomu ya mwakilishi huyo iliyoshikanishwa na tangazo hili, lazima ijazwe na kusainiwa na Mwenyehisa na ipelekwe kwa Msajili wa Hisa za Shirika, Barclays Advisory & Registrar Services, Jumba la Bank House, barabara ya Moi Avenue, P O Box 30120, GPO 00100, Nairobi au kupitia njia ya posta ili ifike Barclays Advisory & Registrar Services kabla ya saa tano asubuhi siku ya Alhamisi tarehe 11 Agosti mwaka 2005.



Mr. Isaac E. Omolo Okero

Mr. Isaac E. Omolo Okero | Chairman

Mr. Omolo Okero aged 76, attended Makerere University and attained a BA degree and thereafter, an LLB degree from Bombay University. He is a barrister of the Middle Temple and an Advocate of the High Court of Kenya. He worked in the Civil Service between 1962 and 1969 rising to the position of Deputy Public Prosecutor and Commissioner of Customs. He had a successful political career between 1969-1979 as a Member of Parliament for Gem Constituency. He served on the cabinet as Minister for Transport Power & Communications, of Health & of Information & Broadcasting. He is Chairman of the Kenya Association of Air Operators. He joined the Kenya Airways Board in April, 1991.

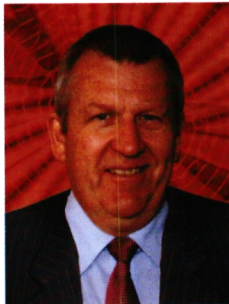


Mr. Titus Naikuni



Mr. Titus T. Naikuni | Managing Director

Mr. Titus Naikuni aged 51 years, holds a Bachelor of science Honours Degree in Mechanical Engineering (University of Nairobi). He is a graduate of Harvard Business School Management Development Programme. He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the position of Managing Director of the Company in 1995 as well as Managing Director of Magadi Railway Company in 1996. Between August 1999 and March 2001 Mr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats who were engaged by the Government to turn around the economy. Mr. Naikuni has had extensive boardroom experience having served on various company boards including Brunner Mond (South Africa), as well as Chairman Kenya Power & Lighting Company and Chairman Housing Finance Company Limited. He received the Manager of the Year Award in Kenya in 2002.



Mr. Neil Canty

Mr. Neil Canty | Group Finance Director

Mr. Canty, aged 53 years, is a Fellow of the Institute of Chartered Accountants in England and Wales and has worked in the airline industry for some 20 years, principally as Finance Director for a number of companies including, British Airways CitiExpress, British Midland and British Regional Air Lines Group PLC, the latter included dealing with its successful flotation and full listing on the London Stock Exchange. During his career to date, he has also gained some seven years international experience working in Kenya, The Netherlands, Denmark, France and Australia. He joined the Board of Kenya Airways as Group Finance Director in January 2005.



Mr. Peter F. Hartman



Mr. Peter F. Hartman | Non-Executive Director

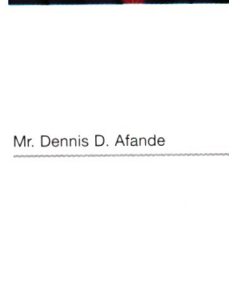
Peter F. Hartman was born in 1949 on Curaçao in the Netherlands Antilles. He has studied Mechanical Engineering and holds a Masters in Business Economics. Mr. Hartman joined KLM in 1973 where he now holds the position of Deputy CEO and KLM's COO, in which capacity his main responsibility is the management of the Passenger Business, which includes sales and marketing activities, operational coordination, worldwide ground handling, flight operations, cabin crew, as well as fleet management and the development of KLM's global network. Engineering & Maintenance also falls under his authority. Mr. Hartman is also a member of a number of bodies some of which include: L the Supervisory Board of transavia.com; the Advisory Board of the Royal Netherlands Aeronautical Association and the Board of the Foundation of the National Aerospace Laboratory (NLR)



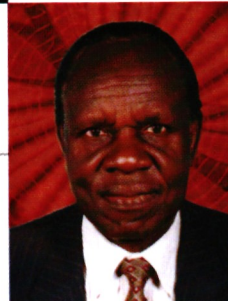
Mr. Henry Essenberg

Mr. Henry Essenberg | Non-Executive Director

Mr. Essenberg aged 60 years, joined KLM in 1970 after completing his studies in Economics at the University of Rotterdam. From 1990 till 1995 he was Vice President Cargo Services in KLM's Cargo Division. He was Managing Director Air UK from 1995 till 1998 (based in the UK). In 1999 he returned to KLM as Executive Vice President Passenger Business. His responsibilities covered KLM's Alliance activities until his retirement during 2004.



Mr. Dennis D. Afande



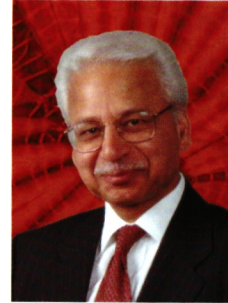
Mr. Dennis D. Afande | Non-Executive Director

Mr. Afande was appointed to the Board on 26th November 2004. For many years Dennis was a career diplomat, served in various positions including Ambassador to the United States of America and United Nations, Geneva. He also served as Permanent Secretary (Ministries of Home Affairs and Health). He is currently the Chairman of The National Council for Children Services and a member of several other charitable organizations.

**Board of
Directors**

Mr. Dinesh Kapila | Non-Executive Director

Mr. Kapila aged 59 years, is an advocate of the High Court of Kenya, Barrister-at-law, Lincolns' Inn, England, a partner in D.V. Kapila & Company Advocates, a practitioner in corporate, commercial and conveyancing matters. He has been actively involved in overall privatization 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 Nairobi Stock Exchange. He has been involved in the restructuring of Kenya Ports Authority as well as National Cereals and Produce Board. He has advised the private sector in matters pertaining to telecommunications, railways, banking, hotels, properties, industries, farming etc. and is a director of several private companies. He joined Kenya Airways in April 1991.

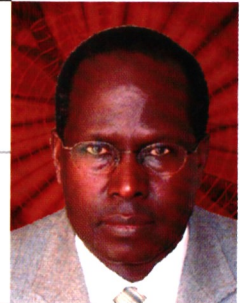


Mr. Dinesh Kapila

Mr. Micah Cheserem | Non-Executive Director

Mr. Cheserem aged 57 years, is an accountant by profession, having qualified as a fellow of the Association of Certified Accountants of London in 1974. Mr Cheserem has held a number of posts in various private sector companies including British American Tobacco, Lonrho and finally Unilever. He joined Unilever initially in 1977 and again in 1991 and worked for them in Australia and Malawi before returning to rise to Chairman of their Kenyan operation, a post he held until July 2003. He is currently Chairman of Equator Flowers Ltd, a company of which he is a shareholder. He also excelled in the public sector where he was governor of the Central Bank of Kenya for 8 years. During his tenure he was largely responsible for the implementation of major economic reforms including the abolition of exchange controls. Mr. Cheserem was elected to the board of Kenya Airways on 21st November 2003.

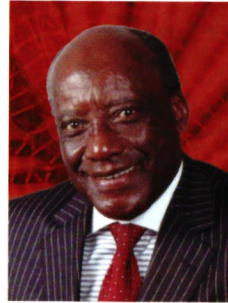
Mr. Micah Cheserem



Dr. Chris W. Obura | Non-Executive Director

Dr. Obura aged 69 years, holds graduate and postgraduate qualifications in Dentistry from the University of London and the Royal College of Surgeons. He served in the Government as Chief Dental Officer, Ministry of Health, and was a Senior Lecturer and External Examiner in the University of Nairobi. Dr. Obura has extensive business interests, and is a Director of several Companies in banking, insurance, transportation and pharmaceuticals including African Mercantile Banking Company, Ashbu Securities, Rhone Poulenc, Lion of Kenya Limited, Mitchell Cotts, Howse and McGeorge, etc. Dr. Obura joined the Board of Kenya Airways in January 1997.

Dr. Chris Obura



Dr. Gerrishon Ikiara | Non-Executive Director

Dr Ikiara aged 57 years, is the Permanent Secretary, Ministry of Transport and Communication. He holds a MA and BA degree in Economics from the University of Nairobi and has lectured economics at that university since 1977. He has published extensively on the Kenyan economy and served as consultant to many organizations both local and international.

Dr. Gerrishon Ikiara



Mr. Remco Smit | Alternate Non-Executive Director

Mr. Smit aged 38 years, joined KLM in 1990 after completing his studies in business economics at the Erasmus University of Rotterdam. Later he obtained the degree of chartered management accountant at the Vrije Universiteit Amsterdam. He served in various financial positions for KLM in the Netherlands, Singapore and London. Currently he is the Holding Manager for KLM and responsible for the monitoring of KLM's corporate holdings. As a result of this he is a board member and director of various companies within the KLM Group and has served in the board of Braathens S.A.F.E. prior to KLM divesting its shareholding. He has been an alternate director to Robert Ruijter on the Board of Kenya Airways since 21 June 2002 and was appointed alternate to Henry Essenberg on 28 October 2004. He was KLM's representative in the Finance and Audit Committee. Due to reorganisation at KLM he ceased to be an alternate director on 26 May 2005.

Mr. Remco Smit




Mr. Joseph Kanja Kinyua | Non-Executive Director

Mr. Kinyua aged 54 years, is the Permanent Secretary, Ministry of Finance. He is a career economist having served in various capacities in the Treasury and Central Bank. He has also been involved in several projects with the International Monetary Fund both within Kenya and abroad. He holds MA and BA degrees in Economics (UoN).

Mr. Joseph Kinyua



A photograph of an airplane cabin interior. The lighting is dim, with a blueish tint. In the foreground, the back of a person's head and shoulders are visible. They are wearing a black turban and a bright orange and red headscarf. The person is seated in a dark airplane seat. The cabin extends into the background with rows of seats and overhead storage bins. A television screen is visible on the ceiling, showing a group of people. The text "[We take Pride in our Heritage]" is overlaid on the image in white. The overall mood is quiet and focused on the individual in the foreground.

[We take Pride in our Heritage]

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The Chairman's Statement

Taarifa ya Mwenyekiti



I am pleased to report that the financial year ended 31st March 2005 can be recorded as another "Landmark Year" for Kenya Airways. Despite the string of external calamities that have befallen the aviation industry in the new millennium, higher fuel prices and increased competition, your airline has continued to record a strong performance.

Industry Overview

During the period under review the world airline community started to experience strong recovery from the disastrous prior years. Indeed statistics supplied by ICAO point to an increase of about 14% in world passenger – kilometres performed on total scheduled services, while international passenger – kilometres performed rose by 15% percent compared to 2003. Aircraft seating capacity also rose in 2004, resulting in an average passenger load factor of 73% for total traffic.

The International Air Transport Association (IATA) International Traffic Statistics reflected phenomenal traffic recovery in 2004 across the regions. Indeed the 2004 full year international scheduled passenger traffic increased by 15.3% and cargo traffic by 13.4% over the 2003 levels.

All regions reported double-digit year-on-year growth with the Middle East and Asia Pacific leading the way at 24.8% and 20.5% growth for passenger traffic. Freight also experienced double-digit growth in all regions with the Middle East carriers reporting the highest growth at 26.8%.

While this growth was largely related to a recovery from the disastrous impact of SARs in 2003, two underlying factors were important. First, the robust economic expansion was the strongest in three decades. Secondly, increasing liberalization and intense competition in many markets was driving growth with declining yields.

Looking ahead, IATA forecasts average annual growth of 6.0% for the period to 2008, in line with the historical trend. It is recognized that the challenge for 2005 is to turn traffic growth into profitability with improved cost efficiency across the

Ni furaha yangu kuwaarifu kwamba katika kipindi cha mwaka wa fedha uliomalizika tarehe 31 Machi mwaka 2005 ni muda ambao unaweza ukasemekana kuwa mwaka mwengine wa mafanikio makubwa kwa Kenya Airways. Licha ya matatizo mbalimbali yaliyokumba sekta ya safari za ndege sehemu nyengine ulimwenguni katika mwanzo wa karne hii mpya, kupanda kwa bei ya mafuta na kuongezeka kwa ushindani wa kibiashara, shirika lenu limeendelea kuwa na ufanisi mkubwa.

Mtazamo wa kibiashara

Katika mwaka uliomaalizika sekta ya safari za ndege ilianza kupata afueni kutokana na matatizo ya miaka iliyopita. Kusema ukweli, takwimu kutoka shirika la ICAO zinaonyesha kwamba kulikuwa na ongezeko la kiasi cha asilimia 14% kwa abiria ulimwenguni-masafa ya kilomita ya safari, huku wasafiri wa kimataifa -kwa masafa ya kilomita waliyosafiri yaliongezeka kwa asilimia 15% ikilinganishwa na mwaka 2003. Kiwango cha idadi ya viti vya ndege iliongezeka mnamo mwaka 2004, na kusababisha kuwa na kiwango cha kadiri cha uzani kamilifu wa jumla ya wasafiri wote kikiongeka kwa asilimia 73%.

Takwimi za Chama cha safari za ndege ulimwenguni (IATA) zimeonyesha kuimarika katika mwaka 2004 katika sehemu mbalimbali duniani. Kusema kweli katika mwaka 2004 ukamilifu wa ratiba za safari za kimataifa uliongezeka kwa asilimia 15.3% na shehena za mizigo kwa asilimia 13.4% kuliko mwaka 2003.

Maeneo yote yaliripoti ongezeko maradufu la kila mwaka kwa abiria huku Mashariki ya Kati na Pasifiki ya Asia zikiongoza kwa asilimia 24.8% na asilimia 20.5% mtawalia. Kiwango cha shehena pia kiliongezeka katika maeneo mengi ulimwenguni huku masharika ya ndege ya Mashariki ya Kati yakiongoza kwa asilimia 26.8%.

Huku mafanikio hayo yakihusishwa zaidi na ufanisi uliopatikana kutokana na nafuu iliyopatikana kutokana na athari za ugonjwa wa homa ya mapafu (SARS) mnamo mwaka 2003, mambo mawili muhimu yalijitokeza. Kwanzakukua kwa uchumi kwa kiwango cha juu katika muda wa miongo mitatu. Pili, kuongezeka kwa kulegezwa kwa masharti na ongezeko la ushindani wa kibiashara kuliochochea ukuaji huo.

Tukiangalia mbele, shirika la IATA limebashiri kukua kwa

industry's value chain. Although IATA forecasts an industry profit of USD 1.2 billion for 2005, the price of fuel remains a critical factor for airline profitability.

Indeed it is acknowledged that rising fuel costs remain the industry's biggest challenge. According to IATA, each dollar added to the average price of a barrel of Brent crude oil over the year adds USD 1 billion to the industry's costs. IATA has warned that if fuel prices continue to rise, the industry could see more red ink this year. Clearly 2005 may well be another year of industry losses, despite aggressive airline cost cutting.

Company Performance

During the year under review, Kenya Airways sustained growing profitability in the financial year ending 31st March 2005 despite increased competition and historically high fuel prices in the year. This was made possible by the continued success of the KQ Turnaround Project (KTAP) enhancing revenue generation capability and rationalising cost structures. Other than the escalating fuel costs in the world market and the Tsunami disaster towards the end of 2004 the airline industry was fortunate to experience a relatively calm and crisis free year.

At a Net Profit after Tax of KShs 3,882m, the airline made the highest profit in its history with a performance level almost three times the prior year's result of KShs 1,302m. The net margin improved to 9.2% compared to prior year's 4.2%.

The airline exceeded the 2 million mark in passengers carried in the year, with a growth of 20% over the prior year. This, coupled with increased passenger yield of 2% ensured impressive growth in passenger revenue over the last financial year. Strong market growth remains in Europe following the successful deployment of the 1st Boeing 777 aircraft as well as the Middle East & Asia routes which include the Far East operations. All African regions experienced increased passenger growth, West & Central Africa 17%, East Africa 19%, North Africa 14% and Southern Africa 36%. The Kenyan domestic network experienced cut backs in frequencies in response to decline in demand and this restricted traffic growth to 4%. Uplifted Cargo volumes experienced a substantial growth of 38% mainly from increased KQ belly space on the B777 and the increased deployment of the larger B767 in Africa.

The escalating global fuel prices impacted the year's results as fuel cost was 63% above prior year, 30% of it owing to price difference and the rest due to growth in operations and the movement in the KShs/US\$ exchange rate. The airline fuel price averaged 140.74usc/ag partly mitigated by a successful net hedging benefit of KShs 235m realised in the year.

Prospects

As the airline increases its capacity in the year 2005 with the acquisition of an additional two new Boeing 777's, the Board expresses cautious optimism tempered by the volatility of fuel prices in the world market. This optimism assumes a continuation of the relative market stability experienced in the past year and there being no further escalation in global conflict or terrorism.

kiwango cha asilimia 6.0% katika kipindi hiki hadi mwaka 2008, kulingana na mwelekeo wa historia. Imefahamika kwamba changamoto kubwa kwa mwaka 2005 ni kuimarisha idadi ya abiria ili kupata faida na kupunguza gharama kwenye nyanja zote za sekta hii. Ingawaje IATA inakaadiri faida ya Dola za Kimarekani bilioni 1.2 kwa mwaka 2005 kwenye sekta ya safari za ndege, bei ya mafuta inabakia kuwa kigezo muhimu cha kupata faida kwa mashirika ya ndege.

Kwa hakika inafahamika wazi kwamba kupanda kwa bei ya mafuta ndiyo changamoto kubwa kwa mashirika ya ndege. Kulingana na IATA, kila Dola moja inaongeza kadiri ya bei ya mafuta ambayo hayajasafishwa kwa pipa inaongeza gharama ya Dola bilioni 1 kwenye sekta ya safari za ndege kwa mwaka. Shirika la IATA limeonya kwamba iwapo bei ya mafuta itazidi kupanda, sekta ya safari za ndege itapata hasara zaidi mwaka huu. Hata hivyo inaonekana kwamba mwaka huu 2005 unaweza ukawa mwaka mwingine wa hasara kwa mashirika ya ndege licha ya mashirika hayo kupunguza gharama.

Utendakazi wa shirika

Katika mwaka huu, shirika la Kenya Airways liliendelea kupata faida katika mwaka wa fedha uliomalizika tarehe 31 Machi 2005 licha ya kuongezeka kwa ushindani wa kibiashara na mwelekeo wa kawaida wa kupanda kwa bei ya mafuta. Hii iliwezekana kutokana na kuendelea kwa mafanikio ya mpango wetu wa kuongeza ufanisi wa kazi uitwao (KTAP) na kuimarisha uwezo wa kusimamia vyema mapato na kupunguza gharama. Mbali na ongezeko la bei ya mafuta katika soko la kimataifa na msukosuko wa kabobo ya Tsunami kufikia mwishoni mwa mwaka 2004 sekta ya safari za ndege ilibahatika kuwa na mwaka mtulivu.

Kwa kupata faida ya shilingi milioni 3,882 baada ya kutozwa ushuru, shirika la Kenya Airways lilipata faida kubwa katika historia yake huku kiwango cha ufanisi kikiiongezeka mara tatu zaidi ya matokeo ya mwaka uliopita kufikia shilingi milioni 1,302. Hii ni kumaanisha kwamba kiwango cha faida kiliongezeka kwa asilimia 9.2% ikilinganishwa na kiwango cha mwaka uliopita asilimia 4.2%.

Shirika la Kenya Airways liliweza kupata kiwango na kubeba abiria milioni 2 kwa mwaka, huku ikiwa ni ongezeko la asilimia 20% ikilinganishwa na mwaka uliokwisha. Hali hii ikilinganishwa na kiwango cha ongezeko la abiria kwa asilimia 2% ilihakikisha kuimarika kwa mapato yatokanayo na usafirishaji wa abiria katika mwaka jana. Ongezeko kubwa la soko letu lilisalia Uropa kufuatia mafanikio ya kununuliwa kwa ndege ya kwanza aina ya Boeing 777 pamoja na Mashariki ya Kati pamoja na Mashariki ya Mbali. Maeneo yote ya Afrika yalipata ufanisi wa ongezeko la abiria, Afrika Maghribi na Kati kwa asilimia 17%, Afrika Mashariki asilimia 19%, Afrika Kaskazini asilimia 14% na Kusini mwa Afrika asilimia 36%. Soko la hapa nchini lilikua kwa asilimia 4% pekee kufuatia hatua ya kupunguza safari zetu za ndege katika miji kadhaa kufuatia kupungua kwa wasafiri. Ongezeko la shehena ya mizigo ilikuwa kwa asilimia 38% kutokana na ongezeko la sehemu ya kubebwa mizigo kwenye ndege zetu aina ya B777 na safari za ndege yetu kubwa aina ya B767 kusafiri sehemu kadhaa za Afrika.

Kuongezeka kwa bei ya mafuta kuliathiri matokeo ya mwaka huu kwani bei ilifikia kiwango cha asilimia 63% kuzidi mwaka uliopita ambapo ilikuwa asilimia 30% kutokana na tofauti ya bei na pia

Kenya

Leading economic indicators show that real GDP expanded by 2.6% in 2004 from 1.8% in 2003 and 1.2% in 2002. Economic activity increased in the early four months of 2004 and slackened in May to September due to drought and rising oil prices. The economy gained momentum in the last quarter of 2004 supported by the short rains and strong growth was realized in key sectors such as horticulture, tea, textiles and tourism.

The average annual underlying inflation was 4.1%, and although this was within the target for the year it was above the prior years' rate of 3.5%. The increase in underlying inflation was partly due to the delayed impact of private sector credit expansion in 2004. Interest rates, on the other hand, have remained subdued thereby sustaining the private sector demand. Consequently, lending to the private sector grew further by 24.9% in the year to March 2005, up from 9.5% in 2004.

The stability of the Kenya shilling exchange rate is expected to support continued growth in intermediate imports, while manufacturing is projected to benefit from the extension of third party yarn sources under AGOA to 2007.

Looking ahead, economic recovery, based on trends of the last quarter of 2004 and the first two months of 2005, the real GDP is projected to expand by 3.5% in 2005.

Recovery in tourism is expected to be sustained in 2005, getting a boost from aggressive marketing campaigns, the relaxation of the US travel advisory on Kenya and particularly as Asia reconstructs its facilities following the Tsunami disaster.

Africa

Real GDP growth in sub-Saharan Africa has picked up over the past several quarters, driven largely by continued growth in the world economy and significant gains in both oil and non-oil commodity prices. The challenges in sub-Saharan Africa are numerous and complex, but there is also much potential and opportunity for growth and development throughout the region. Agriculture remains the foundation of most African economies and increasing the agricultural produce is critical to reducing poverty and increasing food security.

The growing HIV/AIDS pandemic threatens to compromise the social, economic, and democratic gains made in Africa in recent decades. Violent conflict and instability will remain a serious setback to economic development of many African countries for the foreseeable future, yet there are promising signs that democracy is spreading and taking hold across the continent.

Higher oil prices, although a boost to the trade balances of the region's few net oil exporters, will further strain the import bills of many African countries that are net oil importers.

Aeropolitics and market access

On aero-politics, stringent visa conditions imposed on

gharama za uendeshaji pamoja na mabadiliko ya ubadilishanaji wa fedha za kigeni kati ya Dola ya Marekani na Shilingi ya Kenya. Bei ya mafuta ilifikia kiwango cha kadiri cha 140.74usc/ag kiasi kutokana na mafanikio yaliopatikana ya shilingi milioni 235 mwaka huu.

Matarajio

Wakati ambapo shirika la Kenya Airways linapoongeza uwezo wake mwaka huu 2005 baada ya kununuliwa kwa ndege mbili aina ya Boeing 777's, Halmashauri ilitoa tahadhari ya kubadilikabadilika kwa bei ya mafuta kwenye soko la kimataifa. Matarajio haya yanachukua mtazamo wa uimara uliokuwepo katika mwakaa uliopita kufuatia kutokuwepo kwa tashwishi za ugaidi au mizozo yoyote duniani.

Nchini Kenya

Vidokezo vya kiuchumi vinaashiria kwamba gharama za mapato ya raia(GDP) iliongezeka kwa asilimia 2.6% kutoka asilimia 1.8% mnamo mwaka 2003 na silimia 1.2% mnamo mwaka 2002. Shughuli za kiuchumi ziliongezeka kwenye miezi mine ya kwanza ya mwaka 2004 na kudorora mwezi Mei na Septemba kutokana na ukame na kuongezeka kwa bei ya mafuta. Uchumi ulioanza tena kuimarika katika kipindi cha mwisho cha mwaka 2004 kutokana na kunyesha kwa mvua na kuimarika kwa sekta za ukulima wa mboga na matunda, chai, viwanda vya nguo, na utalii.

Kwa kiwango cha kadiri kupanda kwa gharama za maisha kwa mwaka kulifikia asilimia 4.1% na ingawa hali hii ilikuwa sambamba na lengo la mwaka huu lakini ilikuwa juu kwa asilimia 3.5% ikilinganishwa na mwaka uliopita. Hali hii ya kuongezeka kwa gharama ya maisha ilisababishwa na kucheleweshwa kwa ongezeko la mapato kwa sekta ya kibinafsi mnamo mwaka 2004. Kwa upande, viwango vya riba viliendelea kudhibitiwa na hivyo kuhimili sekta ya kibinafsi. Kwa hiyo, mikopo kwa sekta ya kibinafsi ilikuwa kwa asilimia 24.9% kwa mwaka huu 2005 hadi mwezi Machi, kutoka asilimia 9.5% mnamo mwaka 2004.

Kuimarika kwa shilingi ya Kenya katika viwango vya ubadilishanaji wa fedha za kigeni kunatazamiwa kusaidia kukua kwa uingizaji bidhaa kutoka nje, huku sekta ya utengezaji bidhaa ikitazamiwa kufaidika kutokana na kupanuka kwa sekta nyengine za kiuchumi chini ya mradi wa AGOA hadi mwaka 2007

Tukitazama mbele, kuimarika kwa uchumi, kulingana na mwelekeo wa robo ya kwanza ya mwaka 2004 na miezi miwili ya kwanza ya mwaka huu wa 2005, gharama za mapato ya raia(GDP) inatazamiwa kupanuka kwa asilimia 3.5% mwaka huu wa 2005.

Kuimarika kwa sekta ya utalii kunatazamiwa kuendelea mnamo mwaka huu 2005, kutokana na kampeni hima za kuitangaza Kenya nchi za nje, kuondolewa kwa tahadhari za kuwaonya raia wa Marekani kuja Kenya na haswa wakati huu ambapo bara Asia linapoimarisha tena uchumi wake ulioharibiwa na kabobo ya Tsunami.

Barani Afrika

Gharama halisi ya mapato ya raia(GDP) katika bara la Afrika kusini mwa Sahara, iliongezeka katika miezi kadhaa iliyopita, kutokana na kuendelea kukua kwa uchumi wa ulimwengu na bei za bidhaa za mafuta na zile zisozokuwa za mafuta. Kuna chanagamoto nyingi na ngumu katika sehemu hii ya bara la Afrika, lakini pia kuna nafasi nyingi za kupata maendeleo. Ukulima unabakia kuwa kiini cha uchumi wa mataifa mbalimbali

nationals of most West African and other countries such as Sudan and Pakistan continue to discourage travel demand to and via Kenya. Realization of the full potential of Jomo Kenyatta International Airport as a preferred hub in our sub-region may not be experienced as expected if the Government does not relax the current deterrent visa requirements. Would-be businessmen, tourists and other visitors usually use alternative competing hubs for entry and transit purposes, thereby denying the country, the airport, and the airlines the much needed revenue. In addition, these consequences will potentially impact negatively on Kenya Airways' planned further expansion into West Africa as a traffic source and Turkey, the Far East, China and Central/Southern Africa as potential destinations for the affected nationals.

Our desire to exploit the benefits arising from expected liberalization of the African skies as a result of Kenya's membership in such multilateral agreements as COMESA and the Yamoussoukro Decision have not been fully realized. Most signatory states still exercise protectionism as before. The refusal to adhere to the spirit and provisions of such agreements, in addition to frequent political instability in many states, continue to delay the opening up of intra-African routes, the exploitation of available capacity and the free exchange of traffic rights. These factors combined make it extremely difficult to project aviation growth and, hence, accurate plans for route expansion in Africa.

On the other hand, as regards aviation security, IATA has more recently been emphasizing the urgent need to keep on improving Africa's aviation safety record. To this end the Africa Safety Enhancement Team (ASET), an IATA initiative backed by the world's top aviation organizations was recently launched as proof of the commitment of the world aviation community to achieve ambitious safety goals on the continent.

From a global perspective, IATA acknowledges that safety is its number one priority, a role it carries out with the ICAO members, airlines and aviation manufacturers. IATA is determined to achieve continuous improvement in this area and at the forefront of its effort is the IATA Operational Safety Audit Programme (IOSA). Indeed, IOSA complements the ICAO Universal Safety Oversight Audit Programme (USOAP), and will continue to provide the significant improvement in airline safety. Many states currently actively support IOSA and recognize the safety benefit it provides. During the 35th ICAO Assembly held in 2004, IATA appealed to the Assembly to support IOSA as a valuable international effort to enhance safety.

Shareholding

The number of shareholders, which as of our report last year stood at 89,762, has since declined to 86,098 as at 30th April 2005. The shareholder profile as at 30th April 2005 is on page 34.

Final Dividend

The Board is recommending approval by the shareholders of a final dividend of Kshs.1.25 per share, payable to the shareholders of the company on the register of members at the close of business on 12th August 2005, which will be paid on or around 14th September 2005.

ya Kiafrika na kuongezeka kwa bidhaa za kilimo ni muhimu sana katika kupunguza umasikini na kuongeza chakula.

Ongezeko la kuwepo kwa janga la Ukimwi linatishia kuhujumu mafanikio katika nyanja za kijamii, kiuchumi yaliyopatikana barani Afrika katika miaka ya hivi karibuni. Mizozo ya kivita itaendelea kubakia kuwa kikwazo kikubwa kwa maendeleo ya kiuchumi katika nchi nyingi barani Afrika kwa miaka mingi ijayo, huku kukiwa na dalili nzuri za kuwepo kwa demokrasia barani Afrika.

Ongezeko la bei ya mafuta, ingawa ni jambo zuri kwa usawia wa kibiashara barani Afrika kwa wauzao mafuta nje, lakini ongezeko hilo litazidi kuongeza gharama za uagizaji bidhaa kutoka nje kwa nchi nyingi.

*Iktisadi ya kisiasa na Upatikanaji wa biashara
Katika wekevu au iktisadi za kisiasa, masharti magumu ya kupatikana kwa vibali vya visa vilivyowekwa na mataifa ya magharibi dhidi ya raia wengi wa Kiafrika na nchi kama Sudan na Pakistan, iliendelea kuwavunja moyo watu ambao wangetaka kusafiri kuja au kupitia Kenya. Umuhimu wa kuutumia ipasavyo uwanja wa ndege wa kimataifa wa Jomo Kenyatta hautapatikana iwapo serikali haitalegeza masharti yaliyoko sasa ya upatikanaji wa visa. Watu wanaotarajia kufanya biashara, watalii na wageni wengine kwa kawaida hutumia viwanja vya ndege katika mataifa mengine kuingia au kupitia Kenya, na hivyo kuinyima nchi hii, uwanja wa ndege wa JKIA na shirika la Kenya Airways fedha za kigeni. Kadhalika, hali kama hii itaathiri kwa kiwango kikubwa mipango yetu ya kupanua safari zetu katika eneo la Afrika Magharibi kama njia ya kupata abiria zaidi, na Uturuki, Mashariki ya Mbali, Uchina na Afrika ya Kati/Kusini ambapo raia wake wengi ndiyo wanaolengwa na vikwazo hivyo vya visa.*

Lengo letu la kutaka kufaidika na kulegezwa kwa masharti ya kibiashara haswa kuruhusiwa kufanya safari katika nchi nyingi za Kiafrika ambapo Kenya ni mwanachama wa mashirika kama vile COMESA na mkataba wa Yamoussoukro bado halijaafikiwa. Mataifa mengi tuliyotia nao saina mikataba kama hiyo yanaendelea kulinda anga zao zisiingiliwe na mashirika mengine ya ndege. Kukataa kutekeleza mikataba hiyo na kuongezeka kwa mitafaruku ya kisiasa katika mataifa mengi ya Kiafrika kunazidi kuchelesha mashirika mengi ya ndege barani kuanza kusafiri katika nchi nyengine na kuvumbua uwezo walionayo mashirika hayo katika kubadilishana safari za ndege. Kutokana na hali hiyo, imekuwa vigumu zaidi kupanga upanuzi wa mashirika ya ndege na hivyo kukosa mipango iliyo sawa ya kupanua usafiri wa anga barani Afrika.

Kwa upande mwingine, kuhusiana na usalama kwenye viwanja vya ndege, shirika la IATA hivi karibuni limehimiza umuhimu wa kuzidi kuimarisha usalama wa safari za anga barani Afrika. Kufuatia hatua hiyo, shirika la kuhimiza masharti hayo ya usalama barani Afrika (ASET), ambao ni mpango wa shirika la IATA unaonungwa mkono na mashirika mbalimbali ya kimataifa ulianzishwa hivi karibuni kama ishara ya kujitolea kwa jamii ya mashirika ya ndege duniani katika kufanikisha malengo ya usalama barani Afrika.

Katika mtazamo wa kimataifa, IATA inatambua kwamba usalama ni jambo linalopaswa kupewa kipaumbele, jukumu inayotimiza kwa pamoja na mashirika wanachama wa ICAO, mashirika mengine ya ndege na watengenezaji wa ndege ulimwenguni. Shirika la IATA limeamua kutimiza na kufanikisha jukumu hili

**The
Chairman's
Statement**

**Taarifa
ya
Mwenyekiti**

Directors

The members of the Board who have served during the year are shown in the report of Directors on page 37.

Mr. D. Afande was elected as a Director at the Annual General Meeting held on 26th November 2004.

Mr. R. Ruijter ceased to be a Director on 28th January 2005 and was replaced by Mr. P. Hartman as a Director on the same date.

Mr. C. Smyth ceased to be a Director on 28th January 2005 and was replaced by Mr. N. Canty on the same date.

In accordance with the Company's Articles of Association, Dr Christopher Obura retires by rotation and offers himself for re-election at the 2005 AGM.

I also retire by rotation and having served the company for many years I have decided to retire and do not seek re-election.

Finally, Mr. Neil Canty, having been appointed as an additional Director during the year retires and offers himself for election.

**I.E.O. OKERO
CHAIRMAN**

huku likiungwa mkono na (IOSA). Kwa uhakika, shirika la IOSA limejitolea kuusaidia mradi huu ujulikanao kama (USOAP), na kuendelea kuimarisha usalama wa mashirika ya ndege. Nchi nyingi kwa sasa zinaunga mkono kwa dhati mpango wa IOSA na kutambua umuhimu wa kuwepo kwa usalama. Wakati wa mkutano mkuu wa 35 wa ICAO uliofanyika mwaka 2004, IATA ilitoa mwito kwa mkutano huo kuunga mkono mradi wa IOSA kama juhudi za kimataifa za kuimarisha usalama.

Uwekezaji hisa

Idadi ya wenye hisa, kulingana na ripoti ya mwaka jana ni 89,762, imepungua hadi 86,098 kufikia tarehe 30 Aprili mwaka 2005. Utaratibu wa hisa hizo hadi kufikia tarehe 30 Aprili mwaka 2005 umeorodheshwa kwenye ukurasa wa 34.

Mgawo wa hisa

Halmashauri ya Wakurugenzi imependekezwa kutoa mgawo wa mwisho wa shilingi 1.25 kwa kila hisa, kulipwa kwa wenyehisa waliosajiliwa kufikia mwisho wa saa za kazi mnamo tarehe 12 Agosti 2005 na mgawo huo utalipwa kuanzia tarehe 14 Septemba 2005.

Wakurugenzi

Wakurugenzi waliotumikia shirika kwa mwaka uliopita wameorodheshwa kwenye taarifa kuhusu wakurugenzi ukurasa wa 37.

Bw D. Afande alichaguliwa kuwa Mkurugenzi kwenye Mkutano mkuu wa mwaka uliofanyika tarehe 26 Novemba mwaka 2004.

Bw R Ruijter aliacha kuwa Mkurugenzi mnamo tarehe 28 Januari mwaka 2005 na nafasi yake ikachukuliwa na Bw P Hartman kama Mkurugenzi siku hiyohiyo.

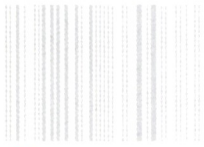
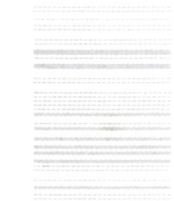
Bw C Smyth aliacha kuwa Mkurugenzi mnamo tarehe 28 Januari mwaka 2005 na nafasi yake ikachukuliwa na Bw N Canty siku hiyohiyo.

Kulingana na kanuni zinasosimamia makampuni, Dkt Christopher Obura anastaafu kwa zamu na anajitolea kuchaguliwa tena kuwa Mkurugenzi.

Hata mimi nimestaafu kwa zamu na kwa kuwa nimetumikia shirika hili kwa miaka mingi nimeamua kustaafu na sitajitolea kuchaguliwa tena.

Mwisho, Bw Neil Canty, ambaye aliteuliwa kuwa Mkurugenzi wa ziada mwaka huu anastaafu na anajitolea kuchaguliwa tena kuwa Mkurugenzi.

**I.E.O OKERO
MWENYEKITI**



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Mr. Titus Naikuni - Managing Director



Mr. Neil Canty - Group Finance Director



Mrs. Monica Oyas - Human Resource Director

1. Mr. Titus Naikuni - Group Managing Director & CEO

Titus holds a BSc Honours Degree in Mechanical Engineering University of Nairobi and is a graduate of Harvard Business School Management Development programme. He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of the company in 1995 and Managing Director of Magadi Railway Company in 1996. Between August 1999 and March 2001 Titus was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by the government to turn around the economy. In this capacity Titus served as permanent secretary in the Ministry of Transport and Communications and was a member of the Board of Kenya Airways. He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director, a position he held up to his present appointment with Kenya Airways in February 2003. Titus has had extensive boardroom experience, having served on various company boards including as a member of the board of Brunner Mond (South Africa), as chairman Kenya Power & Lighting Company and as chairman Housing Finance Company Limited. He received the COYA Manager of the Year award in Kenya in 2002.

2. Mr Neil Canty – Finance Director

Mr. Canty, aged 53 years, is a Fellow of the Institute of Chartered Accountants in England and Wales and has worked in the airline industry for some 20 years, principally as Finance Director for a number of companies including, British Airways CitiExpress, British Midland and British Regional Air Lines Group PLC, the latter included dealing with its successful flotation and full listing on the London Stock Exchange. During his career to date, he has also gained some seven years international experience working in Kenya, The Netherlands, Denmark, France and Australia. He joined the Board of Kenya Airways as Group Finance Director in January 2005.

3. Mrs Monica Oyas – Human Resource Director

Monica joined the Kenya Airways group from a robust and distinguished 9 years career with ABN AMRO Bank in leading HR roles, latterly as country head HR. She is well known in Kenyan circles for strategic, best practices approaches to

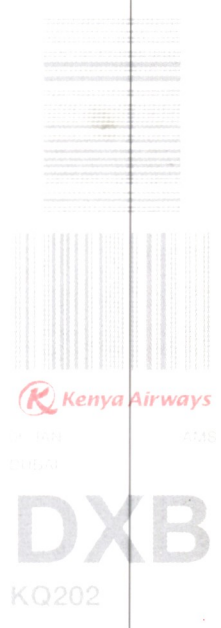
human capital development and management. A member of several HR committees, she previously held senior HR and administration positions at the Kenya Broadcasting Corporation, union of national radio and television organizations programme exchange centre, and Ministry of Information and Broadcasting respectively. She has 18 years HR experience, much of which is with an international focus. Monica holds a MSc degree in industrial sociology/social psychology/international relations (University of Nairobi), a post-graduate certificate in human resources management (Cambridge tutorial college (UK) and post-graduate certificate in human resource skills in banking and finance (Euromoney Training Institute, London). Monica is in charge of all HR, training and security functions within the Kenya Airways group.

4. Captain James Ouma – Flight Operations Director

James undertook his pilot training at the East African Flying School, Soroti, in Uganda, in 1974 and completed his Commercial Pilot Licence in Perth, Scotland, in 1975. In 1978 he completed his Airline Transport Pilots Licence in Denmark. He joined Kenya Airways as first officer on Fokker aircraft in 1977 from East African Airways, where he had been seconded to the East African School as a flight instructor. In 1980 he graduated to Boeing 707s initially as first officer, gaining his captaincy six years later on the same aircraft. He moved to the Airbus A310 in 1989 and finally to Boeing 767s when they were acquired by the airline in 2001.

5. Mr. Hugh Fraser – Commercial Director

Hugh holds a BA (Honours) degree in marketing from the University of Strathclyde, Scotland. He joined the British Airways marketing department in 1976 gaining experience in pricing and product development. In 1982 he joined KLM with responsibilities for pricing strategy, customer accounts and distribution channels for the UK and Ireland market and serving as Regional manager for North of England. In 1988 he joined a newly privatized British Airways serving as General Manager Sweden and subsequently as General Manager for the Benelux countries. Between 1999-2001 Mr. Fraser worked with Swissair/Sabena as Executive Vice President for sales gaining significant experience on the Europe-Africa market, Sabena



Management Team



Mr. Capt. James Ouma - Flight Operations Director



Mr. Hugh Fraser - Commercial Director



Mr. Kevin Kinyanjui - Information Systems Director

having at the time the most extensive Africa network of any European carrier. He left Swissair/Sabena in 2001 to become Managing Director PGL Travel & Voyages, Europe's leading specialist operator of holiday and educational travel for young people. He joined Kenya Airways on 1st September 2003.

6. Mr. Kevin Kinyanjui – Information Systems Director

Kevin Kinyanjui has had over 18 years experience in the Information Technology field. This includes 6 years at the management consulting firm Price Waterhouse, 6 years at Bamburi Cement Ltd 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 assignments in the finance, hospitality, manufacturing and service industries in both private and public sector organizations. These organizations were spread out beyond Kenya, into other Africa countries including Uganda, Tanzania, Malawi and Ethiopia. At Bamburi Cement where he was the head of IT for the entire group of companies in Kenya and Uganda, he was instrumental in strategy formulation, shifting the group to an end user computing environment, integrated ERP systems and putting in place a complete IT organisation. Kevin was the first IT Director at Housing Finance where he oversaw similar planning and implementation activities for banking business systems. This included the evaluation and selection of a completely new banking system platform. He also has experience in formulating and implementing strategies for all other areas like infrastructure and communications, office automation and IT security. He was also a member of the company's executive committee that oversaw the running of the company. In 2001 the Computer Society of Kenya awarded Kevin the chairman's Achievement Award in recognition of his achievements in the IT field.

7. Technical Director (Vacant)

8. Ground Operations Director (Vacant)

[We take Pride in our Traditions]



Taarifa
ya Afisa
Mkuu



The Financial Year 2004/2005 saw us achieve a large number of the goals that we previously set for ourselves, despite encountering some challenges along the way such as high cost of fuel, some service delivery issues at JKIA and increased competition on many of our key routes.

We were also able to regain our position as the much sought after "African Airline of the Year" for 2004 in the African Aviation Magazine annual survey. In addition we retained the Travel News & Lifestyle Magazine's "Quest for the Best" "Best Regional Airline" Award and picked up a few more awards from Travel News; "Best African Airline", "Best Business Class", "Best In-flight Magazine" and "Best Frequent Flyer Programme" (with KLM).

The Kenya Airways Turnaround Project that we embarked on a year or so ago has seen many successes. I am proud to announce that we are at 70% of our original plan having succeeded in seeking new ways to increase our revenues while at the same time keeping our costs to a minimum. My team has worked hard to ensure that these results were realized and we look forward to the next financial year with more optimism in this regard.

Commercial Highlights

In the financial year 2004/2005, we completed the restructuring of the Commercial Department to improve our focus on revenue generation through closer integration of worldwide sales, revenue management, network planning and cargo by region and market. This coupled with tighter management of costs, capacity and resources has delivered in excess of budgeted targets for passengers, cargo and excess baggage revenues.

We also created a new Kenya Airways Cargo organisation worldwide to attract and serve freight customers across our network including a closer sales relationship with KLM in Europe. The results speak for themselves; during the 2004/05 financial year, Kenya Airways recorded the highest uplifts in carriage of cargo with an improvement by 30%. Kenya Airways uplifted 42,017 Metric tons up from 32,388 Metric tons uplifted in previous year. This remarkable improvement is attributed to closer working relations with Commercial department where by the Cargo division is consulted and informed whenever there is redeployment to enable them to plan accordingly.

Kenya Airways Cargo is in the final stages of implementing eCHAMP, a web-based air cargo management system that will

Katika mwaka wa fedha wa 2004/2005 tulifanikiwa kufikia malengo yetu mengi tuliyojiwekea, mbali na kukabiliana na changamoto kadha wa kadhaa kama vile gharama ya kupanda kwa mafuta, maswala ya utoaji baadhi ya huduma katika uwanja wa JKIA na ongezeko la ushindani wa kibiashara kutoka mashirika mengine ya ndege.

Kadhalika tuliweza kuwa tena washindi wa Shirika la ndege la mwaka 2004 kwenye utafiti wa kila mwaka uliofanywa na jarida la African Aviation Magazine. Pia tuliweza kubaki na ushindi wetu wa tuzo liitwalo "Quest for the Best" kwenye jarida la Travel Magazine, pamoja na tuzo la kuwa Shirika Bora la ndege katika eneo hili "Best Regional Airline" na kujiongeza zawadi nyengine mbili zaidi kutoka jarida la Travel News nazo ni "Best African Airline", "Best Business Class", "Best In-Flight Magazine" na "Best Frequent Flyer Programme"(tukishirikiana na KLM).

Mpango wa kuimarisha shirika la Kenya Airways tulioanza yapata mwaka mmoja hivi uliopita, umeanza kuonyesha mafanikio makubwa. Nina furaha kuwatangazia kwamba mpango huo umefanikiwa kwa kiwango cha asilimia 70% tukitafuta mbinu mbalimbali za kuongeza mapato yetu na wakati huohuo kupunguza gharama kuendesha shirika. Mimi na mameneja wenzangu tumefanya kazi kwa bidii zaidi ili kuhakikisha kwamba matokeo haya mazuri yamepatikana na tuna matumaini ya kufanikiwa zaidi katika kipindi cha fedha mwaka ujao.

Uchambuzi wa kibiashara

Katika mwaka wa kifedha wa 2004/2005, tulimaliza uimarishaji wa Idara yetu ya Kibiashara ili kuboresha malengo yetu katika ukusanyaji wa mapato kupitia uuzaji wa tiketi ulimwenguni, usimamizi bora wa fedha, mipangilio mizuri ya safari za ndege na usafirishaji wa shehena kwa kila eneo. Hali hii ilitekelezwa kwa kufuata njia mafaka za usimamizi wa kuzuia gharama, uwezo wa utendaji kazi na ziada ya kiwango cha matumizi ya fedha kilichowekwa kwa abiria, shehena na ziada ya shehena iliyobebwa.

Kadhalika tulianzisha mpango mpya wa Kenya Airways Cargo kote duniani ili kuvutia zaidi wasafirishaji wa shehena kwa ushirikiano wa karibu na shirika la KLM. Matokeo yake yanajionyesha wazi, kwani katika mwaka 2004/05, Kenya Airways ilipata ongezeko la asilimia 30% katika usafirishaji wa shehena, kwa kusafirisha jumla ya Tani za ujazo 42, 017 kutoka Tani za ujazo 32, 388 katika mwaka uliotangulia. Mafanikio haya makubwa yanatokana na uhusiano wetu mzuri wa kazi na Idara yetu ya Kibiashara ambapo Idara ya Shehena inahusishwa ipasavyo na kufahamishwa kila shughuli inayoendelea ili kuwawezesha kupanga kazi zao ipasavyo.

be used for capacity management, sales automation and reporting. eCHAMP will help us improve customer service by enabling our cargo customers to easily track their shipments on-line. Customers will be able to receive timely periodic reports on our performance and, as a result, will have increased confidence when shipping with Kenya Airways. eCHAMP will also provide a framework for seamless exchange of information between our Ground Handling and Financial systems, thus resulting in cost/labour savings by reducing the duplication of effort in Finance and Cargo. The new system, which is scheduled to go live in May 2005, will also provide more timely and comprehensive cargo management reports.

We are currently in the process of recruiting customer service and sales agents to specialize in cargo related matters in our African regional stations. The agents will be trained in Nairobi in specialized cargo handling and will be in charge of all cargo related issues at their individual stations.

We have sought to develop network opportunities by growing our capacity by utilising Boeing 767s on African routes and launching the B777 in June 2004. The B777 serves the London, Amsterdam, Dubai, Lusaka, Lilongwe and other selected destinations which are determined by passenger and cargo demand. We also introduced two new routes in Africa: Djibouti and Lubumbashi in August and February respectively, as well as a number of new frequencies to destinations in line with our network expansion programme. Frequencies to Amsterdam, London, Dubai, and Mombasa were adjusted according to demand throughout the year. In December a fourth flight to Bangkok-Hong Kong was introduced as well as a third frequency to Yaoundé - Douala. In the same month in the East African region, flights to Dar es Salaam increased from 14 times a week to 16 times a week with the introduction of 2 night-stop flights, and in North Africa a night flight to Cairo was introduced increasing Cairo frequencies to 6 per week. Capacity to Lusaka and Lilongwe increased in February as a consequence of introducing a new flight to Lubumbashi. Johannesburg capacity was increased from 10 flights a week to 13 with the introduction of Johannesburg-Mombasa flights in July and also received two extra night flights in December.

We prepared ourselves to meet the SkyTeam associate membership programme requirements in the past year. In November, 2004, operational audits were undertaken to assess gaps that need closure before we undergo final assessment by the SkyTeam panel later this year. In June/July 2005 we shall take part in the IATA Operational Audit (IOSA) which is a crucial audit allowing our data to be accessible to other airlines seeking interline agreements, and will be a prerequisite too for our SkyTeam Associate Membership Commercial Audit in Summer 2005. Kenya Airways hopes to be in the first group of Associate Members to be announced in August 2005. Airline alliances provide member airlines with access to an unparalleled passenger resource and improve their competitive standing.

We have fully integrated Flamingo Airlines commercial and flight operations roles into the Kenya Airways Commercial and Flight Operations Departments. This exercise was completed by the end of June 2004, and successfully converted a hugely loss-making subsidiary into a profitable Kenya Airways domestic network. We achieved this through cutting out the cost of unprofitable routes such as Eldoret and Lokichoggio, and reducing loss-making frequencies to Kisumu. We also focused our efforts on increasing fare yields on all services and increasing Saab utilisation such as on midweek flights to

Kenya Airways Cargo iko katika hatua za mwisho kuanzisha mradi wa eCHAMP, mpango wa kufuatilia shehena ya mizigo kwa kutumia mtandao. Mpango huu utatuwezesha kuwa na uhusiano mwema zaidi na wasafiri wetu kwa wateja kuweza kujua mahali mizigo yao ilipo kupitia kwenye mtandao. Wateja wetu wataweza kupata taarifa za mara kwa mara kuhusu utenda kazi wetu, na kwa ajili hiyo, watakuwa na imani na shirika letu wakati wanaposafirisha shehena zao nasi. Mradi wa eCHAMP pia utawezesha ubadilishanaji wa taarifa muhimu kati ya Wafanyakazi waliopo kwenye viwanja vya ndege na idara ya Fedha, na hivyo basi kupunguza gharama/idadi ya wafanyakazi kwa kupunguza muingiliano wa shughuli za idara hizo mbili. Mpango huu mpya, ambao umeanza kazi tokea tarehe 2 mwezi Mei 2005, pia utatoa fursa nzuri ya kusimamia shehena.

Kwa wakati huu tuna mpango wa kuajiri mawaakala wa kushughulikia wateja na mauzo watakaohusika zaidi na shughuli za shehena katika ofisi zetu zote katika bara la Afrika. Mawakala hao watapata mafunzo yao hapa Nairobi kuhusu maswala ya shehena na watasimamia shughuli zote zinazohusu shehena za mizigo katika vituo vyao mbalimbali vya kazi.

Pia tumeamua kukuza kiwango chetu cha safari kwa kutumia ndege aina ya Boeing 767 kwenye njia za Afrika na kuanzisha ndege aina ya Boeing B777 mnamo mwezi Juni mwaka uliopita. Ndege aina ya B777 inatumika kwenda London, Amsterdam, Dubai, Lusaka, Lilongwe na sehemu nyengine maalum ambazo zitakuwa na wasafiri na shehena nyingi. Kadhalika tumeanzisha safari nyengine mbili katika bara la Afrika: Djibouti na Lubumbashi mnamo mwezi Agosti na Februari mtawalia, na kuongeza idadi ya safari zetu katika maeneo mengine tukitilia maanani mpango wetu wa kuboresha shirika. Idadi ya safari zetu za ndege kwenda Amsterdam, London, Dubai na Mombasa zilirekebisha kulingana na idadi ya abiria. Mnamo mwezi Disemba, safari ya nne kwenda Bangkok-HongKong, ilianzishwa na pia kuongeza safari zetu kwenda Yaounde-Douala. Katika mwezi huohuo, hapa Afrika Mashariki, safari za kwenda Dar Es Salaam ziliongezwa kutoka safari 14 kwa wiki hadi 16 kwa wiki na kuanzishwa kwa safari mbili za usiku za moja kwa moja, na upande wa Afrika Kaskazini, safari ya usiku ya kwenda Cairo ilianzishwa na hivyo kuongeza idadi ya safari zetu hadi 6 kwa wiki. Idadi ya shehena na abiria kwenda Lusaka na Lilongwe iliongezeka mwezi Februari kutoka safari 10 kwa wiki hadi 13 kwa wiki kwa kuanzishwa safari ya moja kwa moja kutoka Johannesburg-Mombasa mnamo mwezi Julai na pia njia hiyo ikapata safari nyengine mbili za usiku mnamo mwezi Disemba.

Tulijitayarisha vilivyo kutekeleza mashauri ya uanachama wa SkyTeam katika mwaka uliopita. Mnamo Novemba 2004, ukaguzi wa mahesabu ulifanywa ili kujua mahali penye pengo linalohitaji kuzibwa kabla ya kufanyiwa tathmini na wataalamu wa SkyTeam baadaye mwaka huu. Mnamo mwezi Juni/Julai 2005, tutashiriki kwenye mradi wa ukaguzi wa mahesabu wa shirika wanachama wa IATA, mpango uitwao (IOSA) ambao ni mpango muhimu wa kuwezesha takwimu zetu kuweza kupatikana na mashirika mengine ya ndege yanayotarajia kushirikiana na Kenya Airways katika miradi mbalimbali, na pia kama hatua ya kwanza ya kujiunga na mradi wa ukaguzi wa mahesabu wa SkyTeam wakati wa majira ya joto ya mwaka 2005. Kenya Airways ina matumaini ya kuwa kwenye kundi la kwanza la wanachama wa SkyTeam utakapotangazwa mnamo mwezi Agosti mwaka 2005. Ushirikiano wa mashirika ya ndege huwezesha mashirika wanachama kuweza kupata idadi kubwa ya wasafiri miongoni mwa na kuimarisha mashirika yao.

Tumejumuisha kikamilifu shughuli za kibiashara na usafirishaji za shirika la Flamingo Airlines kwenye idara zetu za kibiashara na usafiri za Kenya Airways. Kazi hii ya kujumuisha shughuli za Flamingo Airlines kwenye shirika la Kenya Airways ilikamilika mwishoni mwa mwezi Juni mwaka 2004, na tukafanikiwa kuliokoa shirika lililokuwa likipata hasara kubwa na kulifanya kuwa kitengo chenye faida cha Kenya Airways hasa kwenye

Taarifa
ya Afisa
Mkuu

Zanzibar. All duplicated overhead costs were also removed with the integration back into Kenya Airways.

We reduced our distribution costs in Kenya by lowering Travel Agents' IATA commissions and introduced more productive performance-related incentive programmes for Travel Agents (Agency Incentive Programmes – AIPs) and corporate customers (Corporate Incentive Programmes – CIPs). This year we increased the numbers of AIP's and CIP's in the market. We had a total of 80 AIP's up from 30 in the previous year and a total of 110 CIP's up from 30 in the previous year. This, in addition to the strengthening of our sales force and therefore better servicing of both Agents and Corporate Clients increased our revenues over previous year by 17% for the period April to January.

We also reduced costs by increasing online bookings via our website by increasing local booking access in more countries. We are also meeting the increasing demands from our customers to purchase tickets directly from Kenya Airways by opening additional sales outlets in locations and countries where this would be viable. We are set to open a new sales shop at Village Market by June, targeting a lucrative local market with the first re-branded retail point of sale.

During the fiscal year 04/05 the revenue management policy and execution resulted in consistent better Revenue per Available Seat Kilometre (RASK) performance compared with the previous year. This positive result can to a large extent be attributed to the application of a conscious revenue management strategy to benefit from the strong Euro, stimulate business class traffic and steer aggressively towards the higher booking classes, especially during high season periods.

In addition, alternative sources of revenue were defined and developed: In conjunction with our partner KLM, Kenya Airways introduced a new excess baggage policy in the summer of 2004, resulting in a significant growth of related revenue

We continued to face dramatic fuel cost increments in 2004/2005, in order to counter the effect of this on our revenues, we proactively tracked fuel cost trends and implemented a fuel surcharge strategy that is pegged to the changing fuel cost to ensure that we did not lose revenues due to cost of fuel.

In order to further increase opportunities for feed and or de-feed of passengers to or from other airlines Kenya Airways has entered an impressive number of new interline agreements with a clear emphasis on Far East carriers. To date we boast thirteen interline agreements with China Airlines, Eva Airways, Korean Airlines, Royal Air Maroc, Philippine Airlines, Kuwait Airways, Air Namibia, Garuda Indonesian, Malaysian Airlines, BWIA West Indies, Swiss International Airline, China Eastern, and Bangkok Airways. This provides our passengers with a wide network of convenient destinations that we may not currently fly to directly.

Kenya Airways also used 2004/2005 to further develop its revenue management function by investing in new management, robotic technology and in depth training of staff. This is in line with our focus on optimising revenues obtained from our investments and in preparation for the arrival of the next two Boeing 777s in April and June 2005. These aircraft will replace the leased B767-300. They will be deployed on the European and Asian routes and are also expected to build demand for more capacity out of Nairobi into the region. We are currently evaluating the fleet plan to replace the aging B737s

safari zake za humu nchini. Tulifanikiwa kupata mafanikio hayo kwa kusimamisha safari zetu kwenye njia za Eldoret na Lokichoggio ambazo zilikuwa hazileti faida, na kupunguza hasara kwenye idadi ya safari zetu kwenye njia ya Kisumu. Kadhalika tulilenga juhudi zetu kwa kuongeza kipato cha nauli kwenye huduma zetu zote na kuboresha matumizi ya huduma ya Saab kama vile kuanzisha safari za katikati mwa wiki kwenda Zanzibar. Hali hii imeweza kusaidia kupungua kwa gharama za juu zinazolingana kwa kujijumuisha pamoja.

Kadhalika tulipunguza usambazaji wetu wa gharama za safari zetu humu nchini kwa kupunguza kiwango cha asilimia ya faida tunachowalipa mawakala wetu na kuanzisha kutoa motisha unaolingana na utendaji kazi AIPs na kujumuisha wateja wetu wakubwa CIPs. Mwaka huu tumeongeza kiwango cha marupuru kwa mawakala wetu wote AIPs na wale wa CIPs. Tulikuwa na jumla ya miradi 80 ya AIPs kutoka 30 mwaka uliopita na jumla ya miradi 110 ya CIPs kutoka 30 mwaka uliotangulia. Hali hii, ikilinganishwa na kuimarisha mauzo yetu na hivyo kutoa huduma bora kwa Mwawakala na wateja wetu wa mashirika na kuongeza mapato kushinda mwaka uliopita kwa kiwango cha asilimia 17 kati ya mwezi Aprili na Januari.

Pia tuliweza kupunguza gharama kwa kuongeza utumiaji wa kukata tiketi kwa kutumia mtandao wetu na kuwezesha kupatikana kwa urahisi tiketi zetu katika nchi nyingi. Pia tunakabiliana na mahitaji yanayoongezeka ya wateja wetu wanaotaka kununua tiketi zao moja kwa moja kutoka Kenya Airways kwa kufungua vituo zaidi vya mauzo ya tiketi katika sehemu na nchi nyengine kunapokuwa na umuhimu wa kufanya hivyo. Tunatarajia kufungua duka jipya la uuzaji tiketi katika Village Market.

Katika mwaka wa fedha 2005/05 mpango kabambe wa kusimamia mapato ulitwezesha kuwa na kiwango bora cha utendaji kazi kiitwacho RASK ikilinganishwa na mwaka uliopita. Matokeo hayo mazuri yanatokana na utekelezaji wa mikakati kabambe ya kusimamia mapato na kutuwezesha kufaidika kutokana na kuimarika kwa sarafu ya Euro, jambo ambalo limechangia ongezeko la wasafiri kwenye daraja la kawaida tukitegemea kupata wasafiri zaidi hasa katika msimu ujao.

Isitoshe, mbinu mbalimbali za mapato zilianzishwa: Kwa kushirikiana na mshirika wetu KLM, Kenya Airways ilianzisha mpango mpya wa kusimamia mizigo ya abiria katika majira ya joto ya mwaka 2004, na matokeo yake ni kuongezeka kwa kiwango cha mapato.

Tuliendelea kukumbana na ongezeko la bei ya mafuta katika mwaka 2004/2005, na ili kupunguza athari za hali hii kwenye mapato yetu na kuhakikisha kwamba tumeweka mikakati kabambe ya kukabiliana na ongezeko la bei ya mafuta.

Ili kuendelea na kutumia nafasi zilizopo za kulisha wasafiri kutoka au kwenda mashirika mengine ya ndege, shirika la Kenya Airways limeweka mikataba na mashirika mengine ya ndege haswa kutoka Mashariki ya Mbali. Kufikia sasa, tunajivunia kuwa na mikataba kumi na tatu na mashirika mengine kama vile China Airlines, Eva Airways, Korean Airlines, Royal Air Maroc, Philippines Airlines, Kuwait Airways, Air Namibia, Garuda Indonesian, Malaysian Airlines, BWIA West Indies, Swiss International Airline, China Eastern and Bangkok Airways. Ushirikiano huu umewezesha wasafiri wa Kenya Airways kuwa na sehemu mbalimbali wanazoweza kuchagua wanakotaka kwenda ambako Kenya Airways kwa sasa haifiki huko.

Kadhalika Shirika la Kenya Airways lilitumia kipindi cha mwaka 2004/2005 na kuendelea zaidi mikakati ya usimamizi bora wa mapato kwa kuwezesha katika mipango mipya, teknolojia ya kisasa na mafunzo ya kina kwa wafanyakazi wetu. Hali hii inaambatana na mipango yetu ya kuimarisha mapato kutoka kwa miradi ya shirika na tukijitayarisha na kuzipokea ndege mbili aina ya Boeing 777 kati ya mwezi wa Aprili na Juni mwaka

with bigger capacity narrow-body aircraft and are also seeking wide-body capacity to expand into new markets.

The Boeing 777 launched in 2004 has been very well received in the European markets, we have noticed a trend by passengers to change their days of travel in order to travel on days served by the B777. We have received comments that the Premier World on the 777 is not as superior as that of the 767, and are taking those comments into consideration to ensure consistency in our product across the board.

Towards the end of the financial year, we organised a Far East and Kenya Tourism Workshop in March. The objective was to determine the best ways to optimise travel to and from the Far East with input provided by our General Sales Agents (GSAs) from China, Japan, Korea and Thailand. The feedback from this session was very useful and has been input into our strategies going forward.

At the same time we have increased our distribution channels in Hong Kong to 40, and once we obtain the necessary operating permit we intend to do the same in mainland China to increase access to our sales points in order to drive sales in those regions. We are also developing a strategy for excess baggage to address the situation out of the Far East.

Flying Dutchman membership has increased to over 84,000 members in 2004 in Africa with members travelling just under 1,000,000 miles on the program, and enjoying a host of awards and benefits.

We have continued to make improvements to our website, and are embarking on an upgrade of our booking engine to enhance efficiencies and ensure that we can grow online bookings to increase our distribution network to countries in which we do not have a physical presence. Internet bookings on the Kenya Airways website have resulted in sales of USD 458,318 for the six month period ended February 2005. In addition we receive about 66,000 visitors to the site every month. Passengers can now book from the following countries: Kenya, Uganda, Tanzania, Dubai, UK, South Africa, Sweden, Denmark and Norway.

In compliance with IATA requirements, and three years ahead of the IATA deadline, Kenya Airways introduced e-ticketing facilities in January. The e-ticketing project will be rolled out in a phased manner to the Kenya Airways network with a completion date of September 2005. As of April 2005 Nairobi, Mombasa, London, Amsterdam, Dar es Salaam, Entebbe and Zanzibar were e-ticket compliant. Other African markets as well as the Middle East, Asia and Far East are targeted for summer 2005; with interline partners and travel agents coming on board by September 2005. We anticipate that we shall gain cost savings of USD 8-10 per ticket enhancing our cost cutting initiatives further. The benefits that our customers will gain are convenience and ease in ticketing and reservation changes, and once we introduce self service kiosks and internet check in facilities, they will be able to check in faster, this is already possible at Schipol airport and London Heathrow and other more developed airports. Customers will also have more peace of mind because the passenger does not need to worry about losing their tickets as their reservations are held within our systems.

We are constantly improving our meal selection available to our customers; in 2004/2005 we changed our meal selection in response their feedback. We have addressed the issue of on-board nil stocks and have also improved our on board bar

2005. Ndege hizi mbili zitachukua nafasi ya ile aina ya B767-300 ambayo tulikodisha. Ndege hizo mpya zitatumikia njia za Uropa na Asia na zinatazamiwa zitaongeza idadi ya wasafiri kutoka Nairobi na katika eneo hili. Kwa sasa tunatathmini mipango ya safari zetu za ndege kwa minajili ya kuzibadilisha ndege aina ya B737 ambazo zimezeeka tupate ndege nyengine muundo mwembamba na pia ndege muundo mpana ili kupanua safari zetu za ndege katika maeneo mengine.

Ndege aina ya Boeing 777 iliyozinduliwa na Kenya Airways mnamo mwaka 2004 imepokelewa vyema katika soko la Uropa, ambapo tumegundua mfumo kwa baadhi ya wasafiri kubadilisha siku zao za safari ili wasafiri katika siku ambazo ndege ya B777 inaondoka. Pia tumepokea maoni mbalimbali kwamba daraja la Premier World kwenye ndege aina ya B777 siyo yenye hadhi kubwa sana kama ile ya B767, na tunayatia maanani maoni hayo ili tuweze kutoa huduma bora zaidi kwa wateja wetu wote.

Kufikia mwezi Machi, tulipanga kongamano la utalii kati ya Kenya na Mashariki ya Mbali. Lengo lake ikiwa ni kutathmini njia bora za kuongeza idadi ya safari kutoka na kwenda Mashariki ya Mbali kwa kutilia maanani Mawakala wetu wa kawaida (GSAs) kutoka Uchina, Japani, Korea na Thailand. Maoni tuliyopata kutoka kongamano hili yalitusa sana na yanatiliwa maanani kwa mikakati ya siku zijazo.

Wakati huohuo tumeongeza njia zetu za usambazaji huko HongKong hadi 40 na punde tu tutakapopata kibali maalum cha kufanya hivyo tutaongeza vituo vyetu vya mauzo ya tiketi huko Uchina ili kuongeza mauzo yetu katika nchi hizo.

Mpango wa wanachama wa Flying Dutchman umeongezeka hadi kufikia wanachama 84,000 mwaka 2004 kwa Afrika pekee huku wasafiri wengi wakisafiri chini ya maili 1, 000,000 kwenye mpango huo wakizidi kufurahia zawadi na faida mbalimbali.

Kadhalika tumekuwa tukiimarisha mtandao wetu na tumeanzisha mipango ya kuboresha mbinu mpya za ukataji tiketi ili kuimarisha utenda kazi na kuhakikisha tunasambaza huduma zetu katika nchi ambazo hatujafungua ofisi. Ukataji tiketi kwa kupitia mtandao wa internet umeweza kulitea shirika la Kenya Airways kiasi cha Dola za Kimarekani 458,318 kwa muda wa miezi sita hadi kufikia mwishoni mwa mwezi Februari mwaka 2005. Pia tulipata wageni wapatao 66,000 kwenye mtandao wetu katika kipindi hicho. Wasafiri sasa wanaweza kujikatia tiketi zao katika nchi zifuatazo: Kenya, Uganda, Tanzania, Dubai, Uingereza, Afrika Kusini, Sweden, Denmark na Norway.

Ili kuzingatia masharti ya shirika la kimataifa la mawakala wa ndege IATA, na kabla ya kumalizika kwa miaka mitatu ya kutimiza masharti hayo, shirika la Kenya Airways limeanzisha mradi wa ukataji tiketi kwenye mtandao kuanzia mwezi wa Januari. Mradi huu ujulikanao kama e-ticketing utanzishwa kwa awamu moja moja na unatarajiwa kukamilika mwezi Septemba mwaka huu 2005. Kufikia mwezi Aprili mwaka huu 2005, vituo vya Nairobi, Mombasa, London, Amsterdam, Dar es Salaam, Entebbe na Zanzibar vinatumia ukataji wa tiketi wa e-ticketing. Vituo vyengine katika bara la Afrika, Mashariki ya Kati, Asia na Mashariki ya Mbali pia vimelengwa kuwa na huduma hiyo ifikapo majira ya joto ya mwaka 2005, huku washiriki wengine kutoka mashirika mengine ya ndege pamoja na mawakala wakitarajiwa kujiunga nasi ifikapo mwezi Septemba mwaka 2005. Tunatarajia kwamba tutapata faida ya kiwango faida cha kati ya Dola za Kimarekani 8-10 kwa tiketi moja na hivyo kuzidi kutuongezea mapato. Faida ambazo wateja wetu watapata ni kutosumbuka na urahisi wa kujipatia tiketi zao na kuweza pia kufanya mabadiliko ya safari zao, na punde tu tutakapoanzisha vibanda vya tiketi vya kujikatia na vifaa vya kutumia internet wakati abria wanaposafiri, wasafiri wataweza kukaguliwa ticketi zao kwa haraka zaidi, jambo ambalo kwa sasa linatendeka katika uwanja wa ndege wa

Taarifa
ya Afisa
Mkuu

selections to meet our customers' discerning tastes, this along with new wine selections will be tracked and amended on a quarterly basis in line with feedback that we shall collect from our customers through our on-board catering survey forms. One of the new value added services we are also introducing is champagne breakfasts on board to enhance our customers' flight experience.

We are also improving services available to our passengers at various airports. In December, we launched the Simba Lounge which is a five-star lounge exclusive to full-fare Premier World passengers only. The response from our passengers has been overwhelming and the Kenya Airports Authority are looking for more space for us in order for us to expand the lounge as its size is rather limiting. Amenities in the lounge include showers, an IT workstation with internet and fax facilities and a baggage storage area. This lounge was modelled against similar lounges found in airports in Europe and the Americas.

In addition, we have developed a special product for children known as *KQ Cool Kids*. We carry approximately 60,000 children a year and are focusing on the age-groups 8-12 years in an attempt to provide them with suitable entertainment and amenities to enhance their flying experience with us. We are offering priority check-in and disembarking services, special in-flight entertainment programming, special meals, a Cool Kids backpack with carefully selected toys for various age groups and other convenience items.

Kenya Airways is also focusing on improving our in-flight entertainment. The arrival of the Boeing 777-200ER brought with it the Audio Visual on Demand (AVOD) Entertainment system. This allows the passenger more choice, they can watch the movie they want to watch when they want to watch it, pause it, rewind it, forward it, preview song selections and enjoy 3-pin noise-cancelling headsets in Premier world. Economy class have 6.4inch Personal TV (PTV) screens, make selections on the PTV main menu and have a digital passenger in-flight entertainment control unit for menu selections.

In keeping with our changes and improvements and our drive to world-class status, a decision was made in consultation with key stakeholders and members of staff to change the livery (appearance) of our aircraft and other corporate properties. We were seeking a more African look that signals our status as a world-class carrier and is instantly recognisable in all the airports that we fly to. Various designs were presented and discussed before we identified the new colours that we fly proudly today. The changes will be applied to our fleet and various properties gradually to ensure that the change is effected in a cost effective manner that will not impact negatively on our bottom line.

Galileo

In 2004/2005 Galileo Kenya increased its subscriber base from 198 to 205 connected locations in the face of growing competition from Amadeus. By doing so, the company retained its position as the second largest National Distribution Company (NDC) in Africa after South Africa.

We migrated from the SITA x28 network to our own fully managed, intelligent Wide Area Network (WAN) at an investment of US\$1Million that is targeted to reduce our overheads and increase the products and services available to our customers as well as the quality of these products and services. As a result, a turnover growth of 1.5% was realized despite the pressure from our competitor.

Schipol na Heathrow, Uingereza na viwanja vyengine vya ndege katika nchi zilizoendelea. Wateja wataweza kuondokewa na wasiwasi wa kupoteza tiketi zao kwani taarifa za safari zao zitakuwa zimehifadhiwa kwenye mtandao wetu.

Tumekuwa tukiendelea kuimarisha vyakula vyetu kwa wateja wetu kwenye ndege; mnamo mwaka 2004/2005 tulibadilisha mlo wetu kutoka hapo zamani ambapo tulikuwa tunatoa mlo mmoja wenye madini ya Protini na mlo mmoja kwa wasiokula nyama, lakini kwa sasa tunatoa mlo miwili yenye Protini na mlo mmoja kwa wasiokula nyama. Pia tumeshughulikia swala la vinywaji kwenye ndege zetu kulingana na mataakwa ya wateja wetu, mpango huu pamoja na kuwawekeka aina mbalimbali za mvinyo litafuatiliwa kwa makini baada ya kila miezi michache kulingana na maoni tutakayopokea toka kwenye fomu za kukusanya maoni kutoka kwa wasafiri. Mojawapo ya huduma yenye kuongeza faida kwa wateja wetu ni kuanza kuwapa kinywaji aina ya Champagne wakati wa kifungua kinywa wakiwa ndani ya ndege ili kuwaongezea burudani kwenye safari.

Kadhalika tunaimarisha huduma nyengine zinazopatikana kwa wasafiri wetu katika viwanja mbalimbali vya ndege. Mnamo mwezi Disemba, shirika letu lilianzisha ukumbi wa kifahari uitwao Simba Lounge ambao ni ukumbi unaotumiwa na wasafiri wa daraja la Premier World pekee. Na maoni tuliyoipata kutoka kwa wateja wetu ni ya kuvutia mno hivi kwamba mamlaka ya viwanja vya ndege nchini Kenya Airport Authority(KAA) inatafutia nafasi zaidi ili kuongeza ukumbi huo kwani ule ulioko sasa hautoshi. Baadhi ya mambo mazuri kwenye ukumbi huo ni sehemu za kuogea, vituo vya kompyuta vyenye mtandao wa internet pamoja na huduma za barua pepe(fax) na sehemu ya kuhifadhiwa mizigo ya abiria. Ukumbi huu uliundwa kufuatilia mfano wa sehemu nyengine barani Uropa na Amerika.

Pia tumeanzisha huduma maalum kwa watoto iitwayo Kenya Airways Cool kids. Tunasafirisha takriban watoto 60,000 kwa mwaka na tunalenga watoto wenye umri miaka 8-12 ili kujaribu kuwapa viburudisho vya kuwavutia na kuwafanya wapende kusafiri kwa Kenya Airways. Tunawapatia upendeleo wakati wanapoingia na kutoka kwenye ndege, huduma nzuri ya muziki na sinema za ndani ya ndege, vyakula spesheli na vifaa vya kuchezea watoto wa umri tofauti.

Kadhalika Kenya Airways pia inalenga kuimarisha huduma yetu ya starehe ya ndani ya ndege. Kuwasili kwa ndege aina ya Boeing 777-200ER kumeleta huduma ya starehe ya muziki na sinema iitwayo (AVOD). Huduma hii inamuwezesha msafiri kuweza kuchagua kutazama sinema atakazo, kwa wakati atakao, kurudisha nyuma, kusimamisha, kuchagua nyimbo aitakayo kwenye daraja la Premier World. Daraja la Economy lina Televisheni za Kibinafsi (PTV) za upana wa inchi 6.4.

Ili kuendelea na mipango yetu ya kuimarisha shirika ili kufikia kiwango cha kimataifa, hatua ilichukuliwa baada ya kupata ushauri kutoka kwa washikadau na wafanyakazi kubadilisha sura ya ndege zetu. Tulikuwa tunataka kuwa na mtazamo wenye kuonyesha sura ya Afrika ambayo inaashiria msimamo wetu kama shirika la ndege la ulimwengu ambalo itakuwa rahisi kututambua katika viwanja vyote vya ndege tunakokwenda. Miundo mbalimbali iliwasilishwa na kujadiliwa kabla ya kuamua rangi mpya ambazo leo tunazipeperusha kwa fahari kubwa. Mabadiliko hayo yatatekelezwa polepole kwenye ndege zetu zote ili kuhakikisha kwamba mabadiliko hayo yanatekelezwa kwa njia ambayo itatupunguzia gharama.

Galileo

Katika mwaka 2004/2005 Galileo Kenya iliongeza idadi ya washiriki wake kutoka 198 hadi 205 katika vituo vyake mbalimbali vilivyunganishwa kufuatia kuongezeka kwa ushindani kutoka kitengo cha Amadeus. Kwa kufanya hivyo, shirika la Kenya Airways lilibakia kuwa shirika la pili kubwa(NDC) barani Afrika baada ya Afrika Kusini.



During the said period, Galileo Kenya became the first NDC in Africa to cutover electronic ticketing for international travel in all IATA locations. Currently we offer electronic ticketing for airlines British Airways, Continental Airlines, Emirates, KLM, Swiss International Airlines, South African Airlines and SN Brussels.

Air France / KLM

The merger of Air France / KLM Group was consummated last year. To this end, a transitional period commenced in May 2004 which period is scheduled to run for 3 years. Former Air France and KLM shareholders currently hold shares in an umbrella company called Air France-KLM. Air France-KLM (a listed company) in turn owns 100% of an Air France operating company and 92% of the economic rights and 49% of the voting rights in a KLM operating company. The balance of 51% of the voting rights of the KLM operating company are apportioned between various foundations, 2% outside shareholders and the Dutch state. On completion of the transitional period Air France – KLM has the right to own 100% of both the operating companies.

The two operating companies (Air France and KLM) however currently remain separate, with each responsible for their own commercial and operational management on a daily basis eg human resources, flight and ground operations.

The above change in the ultimate ownership does not affect the KLM shareholding in Kenya Airways Limited or the Strategic Alliance formed in 1995.

Further, as entities, both Air France and KLM are registered separately in their respective jurisdictions.

Human Capital

The Human Resources agenda continued to be central to our core business. We recognize that it is the performance of our people that drives the improvement of business results and sustains our competitive edge. Integrating people, processes and technology into our strategic decision-making processes and plans has given us new opportunities for growth and development.

During the financial year we strove to provide professional support to our people, strengthening and encouraging them in their new roles on the back of a very difficult restructuring process. Our priority was to improve their performance and motivate them by concentrating on priority objectives, raising their commitment levels and releasing their full potential. This effort has yielded admirable results during the year. From experience, it does take time to realise the full potential of people after going through an extensive manpower rationalisation like we did. In view of this we do have to continue coming up with strategies to improve on our staff morale and productivity in the coming financial year.

The correlation of human capital effectiveness with financial performance continued to underpin all our human capital decisions. Our endeavours in this regard ensured that we closely monitored our human capital effectiveness measures. We are encouraged by the improving ratio of employee costs to turnover from 11.7% in 2003/4 to 9.48% in 2004/5.

Based on the outcomes of the job evaluation process which had earlier been concluded at the close of the financial year 2003/2004, we implemented a new salary grading structure for all roles in the Company. With the new salary structure in place, we now operate one system of grading jobs right from the lowest role in the Company, to the Chief Executive's role. There

Tuliachana na kutumia mtindo uitwao SITA x28 na kuanza kutumia mtandao uitwao WAN uliogharamu Dola za Kimarekani milioni moja, mradi ambao unatarajiwa kupunguza gharama na kuongeza uzalishaji wa utoaji wa huduma zetu. Matokeo yake ni ongezeko la mapato kwa kiwango cha asilimia 1.5% mbali na ushindani wa kibiashara kutoka mashirika mengine ya ndege. Katika muda huo, Galileo Kenya iliibuka ya kwanza barani Afrika kukata tiketi kwa kutumia mfumo wa e-ticketing kwa safari zote za kimataifa kwenye vituo vyote vya IATA. Kwa sasa tunatoa huduma ya e-ticketing kwa mashirika ya ndege ya British Airways, Continental Airlines, Emirates, KLM, LX, South African Airlines na SN Brussels.

Air France / KLM

Muungano wa mashirika ya ndege ya Air France na KLM ulikamilishwa mwaka jana.

Kufuatia hatua hiyo, kipindi cha mpito kilianza mnamo mwezi Mei mwaka 2004 kwa muda wa miaka mitatu. Wenye hisa katika shirika la ndege la Air France na KLM kwa sasa hisa zao zipo kwenye kampuni moja iitwayo AirFrance-KLM. Shirika la Air France-KLM (ambalo ni shirika mwanachama wa soko la hisa) kwa upande wake lina kiasi cha hisa asilimia 100% kwenye shirika la ndege la Air France na asilimia 92% ya hisa za kiuchumi na asilimia 49% ya hisa za kura kwenye shirika la KLM. Salio la asilimia 51% ya hisa za kura za shirika la KLM zimegawanyika miongoni mwa mashirika mbalimbali asilimia 2% na wenye hisa wengine pamoja na serikali ya Udachi. Kipindi cha mpito kitakapomalizika baada ya miaka mitatu shirika la Air France-KLM litaweza kumiliki asilimia 100% ya mashirika yote mawili.

Hata hivyo kampuni hizo mbili (Air France –KLM) kwa sasa zinabakia na shughuli zao tofauti, huku kila moja ikijisimamia katika biashara na usimamizi wa shughuli zao za kila siku kama vile usimamizi wa wafanyakazi, safari za ndege na kadhalika. Mabadiliko hayo yatakapokamilika hayataathiri kwa vyovyote vile hisa za Kenya Airways Limited au Ushirikiano wetu ulioanzishwa mwaka 1995.

Isitoshe, Air France na KLM zimesajiliwa tofauti kulingana na mamlaka ya kisheria.

Wafanyakazi

Mipango ya maendeleo ya wafanyakazi wetu iliendelea kutiliwa maanani kwenye shughuli zetu. Tuliitambua kwamba ni utenda kazi wa watu wetu ambao utawezesha kuimarisha biashara na kutupeleka mbele. Kujumuisha watu, mipangilio ya kazi na teknolojia kwenye maswala ya maamuzi ya shirika na mipango yetu kumetupatia nafasi mwafaka za kupanua shughuli zetu na kupata ufanisi.

Katika mwaka wa fedha uliomalizika, tulijitahidi kuwapatia wafanyakazi wetu huduma zifaazo kiutaalamu, kuwaimarisha na kuwatia moyo katika kazi zao kila kunapokuwa na ugumu. Jukumu letu kubwa ni kuimarisha utendakazi wao, na kuwatia motisha kwa kushughulikia malengo yao kazini, kuimarisha uaminifu wao kwa shirika na hivyo kuwafanya wawe na bidii kazini. Hatua hii imekuwa na matokeo mazuri katika mwaka huu. Kutokana na ninavyojua, haichukui muda mrefu kuweza kutambua uwezo wetu kufanya kazi baada ya kuwafanyia uwiano wa kazi kama tulivyofanya kwenye shirika letu. Kufuatia hayo tutaendelea kuweka mikakati kabambe ya kuimarisha motisha ya wafanyakazi wetu na kuongeza uzalishaji katika mwaka ujao.

Uwiano wa kutumia wafanyakazi vizuri pamoja na matokeo bora ya kifedha umeendelea kuwa na umuhimu mkubwa kwenye maamuzi yetu kwenye shirika. Mipango yetu kuhusiana na hali hii ilikuwa ni kuhakikisha kwamba tunafuatilia kwa makini mikakati ya wafanyakazi wetu. Tumefurahishwa na kuongezeka kwa uwiano wa gharama ya wafanyakazi wetu na kiwango cha mapato kutoka asilimia 11.7% mwaka 2003/4 hadi asilimia 9.48% mwaka 2004/05.

Taarifa
ya Afisa
Mkuu

are clear progressions within and between the grades. The system provides the most desired pillars for a competitive compensation and benefits policy, a comprehensive salary and benefits administration structure that will not only drive a performance culture but also support an effective career development and succession planning process in the Company.

Additionally, the new structure has been an enabling instrument in managing both the costs of buying talent from the market and realising value for money from our existing employees. The re-alignment of Compensation and Benefits to responsibilities, accountabilities and complexities has further enhanced our employment brand in the market place, making us more attractive to existing and prospective employees.

On the Engineering front, 19 Engineering Apprentices completed a three-year Apprenticeship training programme in November 2004. 12 Graduate Engineers are currently undergoing a two-year Aviation Engineering Management Trainee programme which commenced in November 2004.

In preparation for the arrival of the next two Boeing 777-200ER aircraft in April and June 2005, our Pilots and Engineers underwent the necessary training as appropriate.

With customer service as the key differential, especially in an industry that is as people driven as ours, we continued to direct significant attention to building a caring organisation and continued to align the internal and external brands with our Corporate Values.

In this context, we invested in a major Customer Care Programme which focused on internal customers because good internal relationships lead to more effective business performance which in turn obviously leads to the achievement of both customer satisfaction and corporate goals. We took all our employees through the "Keeping Ahead" Customer Care Programme between 16th August 2004 and 30th November 2004. This was a barrier breaking programme of which, the on-going adoption of the learning points, is already yielding a growing pride in "the Pride of Africa" by our people. This is positively influencing our approach to delivering care and satisfaction to our customers.

Building and enhancing our people's commercial business skills also remained top in our training and development agenda. In addition to various in-house programmes, we embraced several opportunities offered by the International Airline Training Association (IATA) and funded through the International Aviation Training Fund (IATF). By so doing, we maintained the currency of our employees on commercial aviation business growth and development strategies. Two of our commercial business skills trainers also successfully completed IATA's Train the Trainer programme in Dangerous Goods training and are now accredited by IATA to offer the training to Airlines.

We also supported and strengthened our supervisory and management staff in Technical, Flight Operations and Ground Operations departments by taking them through an in-house programme on effective leadership, supervision and management.

Through our continuous recruitment processes, ten (10) Pilots joined the Company from general aviation in March 2005. The number is expected to grow as we continue our human capital acquisition.

Kufuatia matokeo ya kutathmini shughuli za utendaji kazi wa wafanyakazi wetu ambayo ilikamilika kufikia mwisho wa mwaka 2003/2004, tulianzisha mpango mpya wa kutoa mishahara kwa daraja kwa wafanyakazi wetu wote katika shirika. Kwa kufuata mfumo huo mpya wa mishahara, kwa sasa tuna utaratibu mmoja wa kutoa mishahara kutoka kwa cheo cha chini kwenye shirika hadi kwa Afisa Mkuu. Kuna uwazi wa kupanda ngazi kwenye daraja hizo za mishahara. Mpango huu unaweka wazi nguzo muhimu za kufuata mtu anapohitaji kulipwa kiinua mgongo na mafao mengine, mpango kabambe wa utoaji mishahara na usimamizi bora ambao utatoa motisha kwa wafanyakazi na pia kuwezesha kukua kwa kazi za wafanyakazi wetu.

Kwa kuongezea, mpango huu mpya umetuwezesha kusimamia vyema hatua ya kuajiri watu wapya wenye ujuzi kutoka kwengineko na kutufaidisha sisi kama shirika kwa kutumia wafanyakazi wetu tulianoa. Mipango yetu ya kuimarisha na kuboresha utendakazi kwa wafanyakazi wetu, pamoja na marupurupu mazuri tunayowapa na majukumu waliyonayo, yamefanya wafanyakazi wetu wathaminiwe zaidi popote pale na kuwafanya wavutie mashirika yaliyopo.

Kwa upande wa uhandisi, wahandisi wanafunzi 19 walimaliza mafunzo ya miaka mitatu mnamo mwezi Novemba mwaka 2004. Wahandisi 12 kutoka vyuo vikuu kwa sasa wanaendelea na mafunzo ya miaka miwili yaliyoanza mnamo mwezi Novemba mwaka 2004.

Ili kujitayarisha na kupokea ndege zetu mbili aina ya boeing 777-200ER baadaye mwaka huu 2005, marubani wetu na wahandisi walihudhuria mafunzo muhimu kama ilivyohitajika.

Huduma kwa wateja wetu ikizidi kupewa kipaumbele, hasa kwenye shirika kama letu, tuliendelea kuelekeza macho yetu kuimarisha maslahi kwa wafanyakazi wetu na kulinganisha na muundo wetu wa ndani na wa nje.

Kufuatia hayo, tulianzisha mikakati kabambe ya uhusiano mwema na wateja wetu wa ndani kwani uhusiano mwema na wateja huongeza ufanisi wa kazi ambao pia huwapa wafanyakazi motisha na kufanya shirika letu kuafikia malengo yake. Tuliwapeleka wafanyakazi wetu wote kwenye mpango wa uhusiano mwema uitwao "Keeping Ahead" kati ya tarehe 16 Agosti 2004 hadi tarehe 30 November 2004. Mafunzo haya yalitusaidia sana kuvunja kizingiti kilichokuwepo, ambapo mafunzo waliyoyapata yamesaidia sana na yameendelea kuzaa matunda mema kwa wafanyakazi wetu wa "Fahari ya Afrika". Hali hii imesaidia sana kutoa huduma zinazofaa kwa wateja wetu.

Kujenga na kuimarisha ujuzi wa kibiashara miongoni mwa wafanyakazi wetu pia imebakia kuwa jambo linalotiliwa maanani kwenye mipango yetu ya mafunzo na maendeleo ya wafanyakazi wetu. Kadhalika, mbali na mafunzo yanayotolewa hapa kwenye shirika, pia tumeanzisha nafasi mbalimbali zinazotolewa na mashirika ya kimataifa haswa kupitia mashirika wanachama wa shirika la kimataifa la mashirika ya ndege (IATA) na kufadhiliwa na hazina ya kimataifa ya safari za anga(IATF). Kwa kufanya hivyo, tumeweza kuwaweka wafanyakazi wetu kwenye mafunzo ya kibiashara na maendeleo. Wakufunzi wetu wawili wa kibiashara pia walimaliza mafunzo hayo ya IATA hasa kuhusu jinsi ya kushughulikia bidhaa hatari na kwa sasa wamefuzu na kutuzwa na IATA ili watoe mafunzo kwa mashirika ya ndege.

Pia tuliunga mkono na kuimarisha wafanyakazi wetu wa idara za usimamizi, ufundi, ndani ya ndege na viwanja vya ndege kwa kuwapa maafunzo hapa kwenye shirika jinsi ya kuwa viongozi bora, wasimamizi na mameneja.

Kupitia mipango yetu inayoendelea ya kuajiri wafanyakazi, marubani kumi(10) walijiunga na shirika letu mnamo mwezi Machi mwaka huu 2005. Idadi yao inatazamiwa kuongezeka

In accordance with our linguistic needs as we expand the business to China, Turkey and other Francophone and Portuguese speaking markets, amongst our expanding human capital we engaged 18 multilingual Customer Services Agents and 24 multilingual In-flight Attendants.

The languages include French, German, Italian, Spanish, Japanese, Cantonese, Mandarin and Portuguese.

Similarly, we recruited a number of qualified competent and highly reputed Security personnel to match our re-organised aviation security division.

Information Systems

We carried out a number of information systems projects during the year so as to enhance productivity and decision making in all areas, in line with the various departments' strategies and requirements.

E-ticketing

We embarked on introducing e-ticketing into our network. This is a very important trend for airlines that are keen to reduce the costs associated with production, processing and retention of paper-based tickets. It is a target for all IATA member airlines to be 100% e-ticketing compliant by the end of 2007, a target which we are aggressively pursuing, in a phased roll-out approach.

Already the sectors Nairobi-Amsterdam, Nairobi-London, Nairobi-Mombasa, Nairobi-Dar and Nairobi-Entebbe are e-ticket enabled and e-tickets are available from the airlines own sales offices and in its interline with KLM. Later phases will include making all sectors in the airline's network e-ticket enabled, making e-tickets available to travel agents, and available on the airline's internet booking tools.

Upgrade of Financial Accounting System

In 2004/2005 we upgraded our financial accounting system from OLAS to a newer product from the same vendor called E5. In the project, in addition to implementing the same modules in the new product as in the previous one, two new modules were also implemented - Fixed Assets and Bank Reconciliation. The new product has introduced new processes that make credit control, payment processing, budgetary control, fixed asset management and cash flow management more efficient with more reduction in manual and paper work. It will improve on delivery of general and financial information to management with better enquiry facilities. The product has web-based connectivity which will mean more financial and management staff across our different office locations will have access to it, improving on information availability for better and faster decision making.

E-Learning

Our staff skills on using computer-based office automation tools were improved through self-training on computer-based training technologies otherwise known as e-learning. This allows staff to train at their own convenient times and at their own pace. This has also led to a great reduction in costs for staff training on computer skills as this is done purely using internal resources.

We also set up a crew training computer-based training centre, where crew can self-train on the new Boeing 777 aircrafts. This centre is already leading to a lot of savings on ground school training for pilots and engineers which used to take place in Seattle in the United States of America.

We are exploring more ways in which we can apply the same

wakati tunapoanza kuajiri wafanyakazi wengine.

Ili kukabiliana na mahitaji yetu ya lugha tofauti kwenye shirika letu, hasa wakati huu tunapofanya safari zetu hadi Uchina, Uturuki na nchi nyengine zinazozungumza lugha za Kifaransa na Kireno, miongoni mwa idadi ya wafanyakazi tuliwaajiri ni 18 wenye kuzungumza lugha tofauti kwa huduma za wateja na wengine 24 kwa huduma za ndani ya ndege.

Lugha hizo wanazozungumza ni pamoja na Kifaransa, Kijerumani, Kiitaliano, Kihispania, Kicantoni, Kimandarin, na Kireno.

Pia tuliajiri wafanyakazi kadhaa ambao wana ujuzi katika mambo ya usalama ili kuimarisha kitengo cha usalama.

Teknolojia ya Mawasiliano

Tulitekeleza miradi mbalimbali ya teknolojia ya mawasiliano katika mwaka huu ili kuimarisha uzalishaji na utoaji maamuzi katika ngazi zote, kulingana na mahitaji ya kila idara ya shirika letu.

E-ticketing

Tulianzisha mradi wa ukataji tiketi kwa kutumia mtandao. Hatua hii ni ya muhimu sana kwa mashirika ya ndege ambayo yanawania kupunguza gharama za uzalishaji, utengenezaji na kuhifadhi tiketi za karatasi. Ni lengo la shirika la IATA kwamba mashirika yote wanachama yatafikia asilimia 100% ya kutumia ukataji tiketi kwa njia ya mtandao ifikapo mwaka 2007, mpango ambao tunaushughulikia kwa bidii zote.

Tayari safari za Nairobi-Amsterdam, Nairobi-London, Nairobi-Mombasa, Nairobi-Dar na Nairobi-Entebbe zinatumiwa ukataji wa tiketi kwenye mtandao ambazo hupatikana kutoka kwenye ofisi zetu za mauzo na kwenye ofisi za shirika la KLM. Awamu za baadaye itakuwa ni kujumuisha sekta zote za shirika letu ziweze kutumia mpango huo wa kukata tiketi kwenye mtandao, na kufanya mpango huo kuweza kutumiwa hata na mawakala wetu wa mauzo na pia kwenye internet.

Kustawisha utaratibu wa mahesabu

Katika kipindi cha mwaka 2004/2005 tuliweza kustawisha utaratibu wetu wa mahesabu kutoka mfumo uitwao OLAS hadi kwenye mfumo wa kisasa zaidi uitwao E5. Utaratibu huo mpya umeanzisha mbinu ambazo zinarahisisha ukusanyaji madeni, utoaji malipo, uhibitaji wa mahesabu, kutambua mali tuliyonayo na jinsi tunavyotumia fedha zetu kwa urahisi zaidi na kupunguza kufanya shughuli hizo kwa mkono na kutumia karatasi. Mradi huu utaimarisha zaidi utoaji wa kawaida wa taarifa za kifedha kwa uongozi wa shirika kukiwa na uwazi. Mradi huo utakuwa umeunganishwa kwenye mtandao jambo ambalo litawezesha wafanyakazi katika idara mbalimbali kupata maelezo wanayotaka, na hivyo kuimarisha utoaji taarifa na kurahisisha kutoa uamuzi kwa njia bora.

Tarakilishi

Wafanyakazi wetu waliimarisha ujuzi wao wa kutumia vifaa ya tarakilishi kupitia mafunzo ya kibinafsi kuhusu matumizi ya teknolojia hii mpya iitwayo e-learning. Hatua hii imewezesha wafanyakazi kujifunza kwa wakati wao na kwa kasi yao. Hii imepunguza kwa kiasi kikubwa gharama za kuwafunza wafanyakazi matumizi ya tarakilishi kwani mafunzo haya hutolewa kwa hapa hapa kwenye shirika.

Kadhalika tulifungua kituo cha mafunzo kwa wafanyakazi wa ndani ya ndege, ambapo wanaweza kujifunza wao wenyewe na kufahamu mengi zaidi kuhusu ndege aina ya B777. Kituo hiki tayari kimeanza kuokoa pesa nyingi ambazo zilikuwa zinatumiwa kutoa mafunzo kama hayo kwa marubani na wahandisi katika mji wa Seattle nchini Marekani. Tunajaribu kuona kama tunaweza kutumia mbinu kama hiyo kukabiliana na mahitaji ya kutoa mafunzo hayo katika sehemu nyengine.

methodology in other training requirements and areas.

Flight Operations System

By utilising an existing system for Flight Operations called AIMS, we were able to enhance our fuel administration leading to better fuel tracking and enhanced aircraft performance reporting.

Passport Scanning

We implemented an electronic passport scanning & verification system unit in parts of its network where there is a high incidence of improperly documented passengers travelling on our flights. Such incidences lead to high costs of deportation and fines imposed by destination countries to us. This new system scans and verifies passports before passengers board the aircraft, discrepancies are picked up early enough, and the information is made available electronically to the destination station. Enquiries by immigration authorities at the destination station will be better addressed leading to lower deportation and fine costs. Destination stations already being served by this system and already enjoying its benefits include London, Amsterdam and Johannesburg. This may be rolled out to other stations on a need basis.

Electronic Document Management and Automation of Administrative Processes.

Late in the financial year, we selected and started the implementation of the OMNI suite of document management and workflow process systems.

We anticipate that we shall gain through faster and easier retrieval of documents, longer retention periods, and multiple staff will be able to read the same document or file at the same time. Less paper will need to circulate to staff due to the availability of concurrent electronic retrieval, which means lower costs for us in the long run.

The workflow process system, on the other hand, will lead to less paper-based administrative processes. Some processes are traditionally not automated within the transaction-processing systems in Finance, Purchasing, Stores and HR functions. The workflow process system will automate these processes and complement the efficiencies already brought about by the existing transaction-processing systems in the airline.

Security Systems

We have also introduced more technology-based security solutions at JKIA to better monitor operations in cargo and baggage handling and other sensitive areas. These include new video surveillance installations.

Infrastructure and Communications

We introduced a new standard to deploy full-fledged Personal Computers (PCs) in all our offices to replace *dumb* terminals. The PCs have increased the use of e-mail communication, Internet services, and additional personal productivity that *dumb* terminals cannot offer. This has required the introduction of faster local area networks in all offices which can also support voice communication. This is planned to improve productivity especially in outstations and enhance inter-office communication.

Opportunities for outsourcing certain operational activities, like service desk and field support services, were realized. This has led to better productivity by the outsource vendors who focus on certain primary functions, leaving the airlines IS staff to focus more on analysis, creation, innovation and project implementation.

Tools for better IS infrastructure support were also introduced

Utaratibu wa safari za ndege

Kwa kutumia utaratibu uliopo wa safari za ndege uitwao AIMS, shirika limeweza kuimarisha na kusimamia vyema jinsi ndege zetu zinavyotumia mafuta na kustawisha taarifa ya jinsi ndege zinavyoendelea na kazi.

Ukaguzi wa pasi

Tulianzisha kitengo cha kukagua na kuchungua pasi (hati za kusafiria) katika baadhi ya sehemu za shirika ambapo kuna visa vya wasafiri kukosewa kukaguliwa vyema wakisafiri kwa ndege zetu. Visa kama hivi, vinatuletea hasara kubwa ya kulipa gharama ya kuwarudisha wasafiri makwao wanaopatikana na makosa kama hayo. Lakini kitengo hiki kipya kinakagua na kuchunguza pasi ya abiria kabla hajapanda ndege, na makosa yote hujulikana mapema na maelezo huweza kupatikana kupitia kwenye mtandao hadi nchi anayokwenda. Maswala mengi ambayo idara ya uhamiaji ingependa kujua yatakuwa yametatuliwa mapema na hivyo kupunguza gharama ya kulipa faini za kuwarudisha wasafiri wenye makosa makwao. Vituo ambavyo tayari vinahudumiwa na mpango huu ni London, Amsterdam na Johannesburg. Mradi huu utasambazwa katika vituo vingine kutakapotokea mahitaji.

Usimamizi wa nyaraka na mwongozo wa kutumia mitambo ya tarakilishi Mwishoni mwa mwaka wa kifedha, tulichagua na kuzindua usimamizi wa nyaraka kwa kutumia tarakilishi uitwao OMNI.

Tunategemea kwamba kwa kutumia mtambo huo itakuwa rahisi kupata nyaraka na hati, kuweza kuzihifadhi kwa muda mrefu, na pia kuwezesha wafanyakazi wengi kuzisoma nyaraka au hati hizo kwa wakati mmoja. Hakutakuwa na haja ya kutumia karatasi kutumia wafanyakazi ujumbe au maelezo kwani wataweza kutumia njia hiyo rahisi, ambayo hatimaye itatupunguzia gharama.

Kadhhalika utaratibu wa mwongozo wa utenda kazi, kwa upande mwingine, utapunguza matumizi ya makaratasi kwenye shughuli zetu. Kuna shughuli nyengine ambazo kwa kawaida hazivezi kuwekewa mitambo ya kujiendesha yenyewe katika idara kama Fedha, Ununuzi, Ghala na Usimamizi wa wafanyakazi. Utaratibu huu wa utenda kazi utaweza kuweka huduma zote kwenye mitambo ya kujiendesha yenyewe na hivyo kuimarisha usimamizi uliopo kwenye shirika.

Utaratibu wa usalama

Kadhhalika tumezindua mradi wa usalama ambao unahusisha zaidi mitambo ya teknolojia katika uwanja wa ndege wa JKIA ili kuchunguza vyema shughuli katika eneo la shehena na kupokea mizigo na sehemu nyengine ambazo ni muhimu. Tumeweka mitambo mipya ya kamera za video.

Muundo msingi na mawasiliano

Tulizindua mradi mpya wa tarakilishi kwa wafanyakazi wetu katika ofisi zetu zote ili kubailisha zile za zamani zilitwazo *dumb*. Tarakilishi hizi mpya zimeongeza matumizi ya barua pepe, mtandao wa internet na ongezeko la utendaji kazi kwa wafanyakazi wetu jambo ambalo limetulazimisha kuwa na mtandao wa pamoja kwenye ofisi zote mtandao ambao unaweza pia ukatumia mawasiliano ya sauti. Mpango huu unatarajiwa kuongeza ufanisi haswa katika vituo vyetu vilivyoko nje ya makao makuu ya shirika na hivyo basi kuongeza mawasiliano kati ya ofisi moja hadi nyengine.

Matumizi ya kutafuta baadhi ya huduma zetu kutoka nje, kama vile huduma za nyanjani yalionekana kuzaa matunda. Hali hii imeongeza kwa kiwango kikubwa ufanisi na kuwapa wafanyakazi wetu wa shirika kulenga zaidi kwenye uchanganuzi, ubunifu, uvumbuzi na utekelezaji wa miradi.

Vifaa muhimu vya kutekeleza kazi hiyo pia vililekwa na kuanza kutumiwa. Vifaa hivi ni pamoja na vile vinavyoweza kuendesha baadhi ya miundo msingi hiyo kutoka mbali na hii

and successfully implemented. These include tools for remote network management, which has led to IS staff being able to support more parts of the network without having to physically move or travel to them.

We primarily use the SITA network for our IS communication needs in all our points of presence worldwide. Previously, the SITA network could only give connectivity to our character-based legacy systems in sales, reservations and airport services systems. Recently SITA has introduced an IP-based network. In response to this we have upgraded many of our SITA connections to this network platform. This network platform allows all of an airline's offices to be interconnected on a virtual private network and access newer graphical-based applications at head office or other locations. We have started migration to this network platform and are also able to take advantage of the inter-office voice communication at a lower cost that this IP-based network is able to carry. In future we may also be able to take advantage of the network's ability to carry video traffic. Another advantage is that connections to this network have more predictable costs as they are fixed based on the size of the connection.

We have currently upgraded our Kenya network, E-mail services and Office Automation systems to newer technologies from Microsoft that will lead to lower down times, better security, improved services management, and hence higher productivity for all computer users.

Flight Operations

In the area of Flight Operations, in addition to boosting our current human resource in line with our route expansion strategy, flight safety was a key focus for us. We operated within acceptable industry standards with no hull loss or fatalities. Bird strikes were a major concern as has been in the previous years, especially around Jomo Kenyatta International Airport which is impacted by increased abattoirs and dumpsites nearby.

We made the decision to adopt the IATA Operational Safety Audit (IOSA) Standards ahead of the deadline of January 2006 when IATA expects all its member airlines to be compliant. These operational standards are derived from the Federal Aviation Regulations of the USA, the Joint Aviation Requirements (JAR-OPS) of the European Union, ICAO and industry best practices. Successful conclusion of the IOSA audit is a prerequisite to our joining the Sky Team alliance. SkyTeam is an airline alliance that is comprised of Air France KLM, AeroMexico, Alitalia, Continental Airlines, Czech Airlines, Delta Airlines, Korean Airlines and Northwest Airlines. The IOSA programme is a model to improve worldwide operational safety for airlines and will result in audit reduction, improved operations, audit sharing between airlines, increased code share opportunities, and internationally recognised standards resulting in harmonization globally. The exercise is expected to be completed by August 2005.

To continuously and successfully face the challenge of surviving the intense competition of the global airline industry, we continue to invest in developing the skills of our people. To this end the second group of, 15 Pilot Cadets returned from 43rd Air School South Africa having successfully completed Ab-Initio Pilot training programme and all successfully converted their licences to Commercial Pilots Licence after passing the Kenya Civil Aviation Authority's Commercial Pilot License conversion examination. According to the feedback received from the 43rd School, this was the best class ever of Ab-Initio Pilots in the School.

imerahisisha kazi kwa wafanyakazi wetu ambao si lazima waende kila mahali wakati wakitekeleza kazi zao.

Kimsingi tunatumia mfumo uitwao SITA kwenye mtandao wetu wa mawasiliano katika vituo vyetu vyote kote duniani. Hapo awali mfumo wa SITA uliweza kuunganisha mitambo yetu kwenye huduma za mauzo, ukataji tiketi na huduma katika viwanja vya ndege. Hivi karibuni, mfumo huo wa SITA umeanzisha mtandao uitwao kwa ufupi IP. Ili kukabiliana na hali hii, tuliweza kustawisha mitandao yetu ya SITA kwenye mfumo huu mpya wa IP. Mtandao huu huwezesha ofisi zetu zote kuunganishwa kwenye kituo cha kibinafsi na pia kuweza kupokea maelezo mengine kutoka ofisi kuu au vituo vyengine. Tumeanza kuhamia katika mtandao huu mpya na kwa sasa tunaweza kutumia huduma ya mawasiliano ya sauti kwa malipo rahisi. Katika siku zijazo, pia tunaweza kuutumia mtandao huu kupeperusha picha za video. Jambo jengine la kuvutia kuhusu mtandao huu ni kwamba unaweza kukadiria gharama yake kwani ni mtandao ambao upo mahali pamoja kulingana na ukubwa wa mtandao wenyewe.

Hivi karibuni tuliistawisha mtandao wetu wa Kenya, huduma za barua pepe, na huduma za teknolojia za kujiendesha zenyewe kutoka mfumo wa Microsoft ambao utawezesha kuimarika kwa usalama, usimamizi bora na hivyo kuzidisha ufanisi kwa wote wanaotumia tarakilishi.

Safari za ndege

Kwa upande wa usafiri wa safari za ndege, licha ya kuimarisha wafanyakazi wetu walioko kwa sasa ili iliingane na mikakati yetu ya kupanua safari zetu katika maeneo mengine, usalama ndani ya ndege ulipewa kipau mbele. Tuliendesha safari zetu za ndege ndani ya viwango vinavyohitajika bila kupata hasara ya shehena au abiria. Hata hivyo, ndege wanaoruka angani wamekuwa wakitulia wasiwasi kama ilivyokuwa miaka iliyopita, hasa katika uwanja wa kimataifa wa Jomo Kenyatta na hii ni kutokana na ongezeko la vichinjio na vifusi vya taka karibu na uwanja huo.

Tulichukua uamuzi wa kukubali masharti mapya ya usalama ya shirika la IATA kabla ya kumalizika kwa muda wa mwisho wa Januari mwaka 2006 ambapo wanachama wote wa IATA wanatakiwa kutimiza masharti hayo. Masharti haya chimbuko lake ni Marekani, Jumuiya ya Ulaya, shirika la ICAO na kwengineko ambako masharti haya yanakubalika. Kukamilisha vizuri kwa masharti ya usalama ya IOSA ni mojawapo ya matakwa ambayo yanatakiwa kutimizwa na mashirika ya ndege kabla ya kuijunga na Sky Team. SkyTeam ni ushirika wa mashirika ya ndege kama vile Air France, KLM, AeroMexico, Alitalia, Continental Airlines, Czech Airlines, Delta Airlines, Korean Airlines, na Northwest Airlines. Mpango wa usalama wa safari za ndege wa IOSA umeanzishwa kuboresha usalama kwa safari za ndege, kuimarisha ufanisi katika utenda kazi, ukaguzi wa hesabu miongoni mwa mashirika mbalimbali, na kuongeza usawazishaji wa kutoa huduma kwa mashirika yote ya ndege duniani. Shughuli hii inatazamiwa kukamilika ifikapo mwezi Agosti mwaka huu 2005.

Ili kuendelea na kukabiliana kwa mafanikio changamoto kutoka mashirika mengine ya ndege duniani, shirika letu limeendelea kuendeleza vipaji na ujuzi wa wafanyakazi wetu. Kuafikia hayo, kundi la kwanza la marubani wanafunzi 15 walirudi kutoka chuo cha mafunzo kiitwacho 43rd Air School, nchini Afrika Kusiniakiwa wamekamilisha mafunzo ya urubani yaitwayo AB-Initio na kuwawezesha kupata vyeti vyao na kuwa vya kibiashara baada ya kupita mthani wa Kenya Civil Aviation Authority. Kulingana na maoni tulyiopata kutoka chuo hicho cha Afrika Kusini, kikundi hiki cha marubani ndicho kilikuwa bora zaidi kwa mafunzo hayo ya Ab-Initio katika chuo hicho.

Mafunzo ya urubani ya Ab-Initio ni mafunzo yanayoendelea huku marubani wetu wengine 14 wakiwa katika chuo hicho cha Afrika Kusini. Hii inafikisha idadi ya marubani wetu kuwa 44 tokea mafunzo hayo kuanzishwa mnamo mwaka 2000.

The Ab-Initio Pilot training programme is on-going with a further 14 Ab-Initio Pilots currently undergoing training at 43rd Air School, South Africa. This makes a total of 44 since the inception of the programme in 2000.

Our Pilots continued to advance progressively in their careers and on 5th January 2005, Kenya Airways checked out its First Lady Captain, Irene Koki Mutungi.

A total of 780 Staff comprising Pilots, In-flight Attendants and Cargo Handling Staff underwent IATA Dangerous Goods Awareness training.

Two SAAB aircrafts formerly of Flamingo Airlines joined the mainstream Kenya Airways fleet as KQ domestic carriers. Consequently, eleven pilots from the SAAB fleet joined the existing company fleet ranks.

Ground Operations

Safety continued to be a major challenge in Ground Operations. Within the year we recorded a 5% decline in reported incidents. The major causes of incidents were human error, faulty equipment and poor safety, health and environmental culture within the work areas.

To improve on this, various deliberate initiatives have been undertaken as part of the corporate safety strategy. Safety committees were revived in February 2005 after the earlier initiative failed to take off early in the financial year. Apart from compliance with legal requirements, the committee is expected to create ownership of safety processes and programmes among all staff with the expected outcome of an improvement in safety performance. We have also undertaken a rehabilitation program for non-motorised equipment, engaged in eradication of unauthorised use of equipment, implemented the 32kilogramme maximum checked baggage limit policy which should result in a reduction of back injuries and related health issues and we have enforced a policy on the use of protective equipment to reduce workplace injury.

Cargo tonnages handled through the two terminals grew by 15% over the year. Similar growth was experienced in courier and post office mail. There has been a remarkable 70% decline in theft and pilferage of cargo and mail over the year largely due to improvements in handling procedures and systems as well as security coverage of the terminals.

Ramp operations remained stable over the year recording a small growth of 2% in terms of flight turnarounds handled. Competition in this area has grown with nine companies fighting for a stagnant client base thus driving prices down. Owing to loss of business experienced in recent years, Ground Operations adopted a sales and marketing strategy aimed at winning new customers and retaining the old ones. We have managed to place ourselves on the global market through updating our records in world aviation publications, something that has not been done in the last ten years. The initiative has produced good results with the hope of regaining at least three customers we had lost to competition in Mombasa.

We are in the process of developing a pricing policy through costing of services we provide. This will ensure that we competitively price our services as well as ensure growth of the business.

The contracts section has also been involved in negotiations of contracts in new stations coming up in our network.

Marubani wetu wamekuwa wakiendelea vyema katika kazi zao na mnamo tarehe 5 Januari mwaka 2005, shirika la Kenya Airways lilipata rubani wake wa kwanza mwanamke, Irene Koki Mutungi aliyefikia kiwango cha kapiteni.

Jumla ya wafanyakazi wetu 780 ikiwa ni pamoja na marubani , wahudumu wa ndani ya ndege na wahudumu wa mizigo walihudhuria mafunzo ya shirika la IATA kuhusu ufahamu wa kushughulikia bidhaa za hatari.

Ndege mbili aina ya SAAB ambazo zilikuwa za shirika la Flamingo Airlines, zilijungwa na Kenya Airways kwenye safari zake za humu nchini. Kufuatia hayo, marubani kumi na moja kutoka ndege za SAAB waliungana nasi.

Huduma kwenye viwanja vya ndege

Usalama uliendelea kuwa changamoto kubwa kwenye shughuli za kutoa huduma kwenye viwanja vya ndege. Katika mwaka huu ajali zilizoripotiwa zilipungua kwa kiwango cha asilimia 5%. Ajali nyingi zilisababishwa na makosa ya binadamu, mitambo mibaya na kuzorota kwa usalama, afya na mazingira yaliyozeleka katika sehemu za kazi.

Ili kuboresha hali hii, mbinu mbalimbali zilibuniwa na kutekelezwa na kuwa mikakati ya usalama ya shirika letu. Kamati za usalama zilifufuliwa mnamo mwezi Februari mwaka huu 2005 baada ya mpango kama huo wa hapo awali kukosa kufaulu katika kipindi cha fedha cha mwaka uliopita. Licha ya kutimiza masharti yote ya kisheria, kamati hiyo ya usalama inatazamiwa kuzindua mbinu za usalama ambazo zitaweza kufuatwa na wafanyakazi wetu wote ili kuimarisha usalama. Pia tumechukua jukumu la kukarabati miradi yote ya vifaa visivyotumia mashine, ambavyo vimekuwa vikitumiwa bila idhini, kutekeleza masharti ya abiria kuwa na uzito wa mzigo wa kilo 32 ili kupunguza maumivu ya mgongo na maswala ya kiafya yanayohusiana nayo, na kuhimiza matumizi ya kuvaa vifaa vya kujikinga na ajali katika sehemu za kazi.

Shehena ya mizigo iliyoshughulikiwa katika viwanja vyetu viwili ilikuwa kwa asilimia 15% katika mwaka huu. Pia tulishuhudia ongezeko la vifurushi na barua. Wizi wa mizigo na vifurushi ulipungua kwa asilimia 70% kutokana na kuimarishwa kwa jinsi bidhaa hizo zinavyoshughulikiwa na mipango kabambe ya usalama katika viwanja vya ndege. Huduma za kupokea mizigo zilibakia kiwango cha kuimarika katika mwaka huu na kuweza kukua kwa asilimia 2% pekee. Ushindani katika shughuli hii uliongezeka kwa kampuni tisa zikishindania kupata kazi hii na hivyo kuteremsha bei ya huduma hii. Kutokana na hasara iliyopatikana mwaka uliopita kwenye shughuli hii, huduma za kwenye viwanja vya ndege zilichukua mrengo wa mauzo na masoko ambao ulilenga katika kupata wateja wapya na kuweza kusalia na wale wa zamani. Tuliweza kujiweka katika soko la kimataifa kwa kuzifanyia kazi mara kwa mara takwimu zetu kwenye majarida ya kimataifa ya safari za anga, jambo ambalo lilikuwa halijafanywa kwa miaka kumi iliyopita. Mpango huu umetoka matokeo bora na kuna matumaini ya kuwarudisha tena wateja watatu waliopotea na kuanza kutumia mashirika mengine mjini Mombasa. Kwa sasa tuko katika mpango wa kuzindua sera ya bei kupitia kukadiriwa kwa huduma zetu tunazotoa kwa wateja wetu. Mpango huu utahakikisha ya kwamba tunatoza bei zinazolingana na mashirika mengine ili kuhakikisha kukua kwa biashara yetu. Kadhalika kitengo cha kandarasi kimejumuishwa kwenye mazungumzo kuhusu kandarasi kwenye kituo chetu kipya ambacho kitaanzishwa hivi karibuni.

Ili kukabiliana na tatizo la wahamiaji haramu, tulianza kutumia mitambo ya kukagua pasi za wasafiri kwenda Johannesburg, London Heathrow na Amsterdam. Mpango huu utanzishwa pia kwenye njia nyengine tunakoenda.

A major challenge affecting both ramp and passenger handling is the congestion at JKIA in terms of aircraft parking bays, passenger check-in and lounge facilities as well as boarding gates. As we expand our fleet and route network this is going to pose a big challenge to Ground Operations. Though we have devised a short term strategy to address this in the three year strategy, the long term solution lies in the ability of KAA to expand JKIA.

In February 2005 a plan to introduce Service Level Agreements in all Kenya Airways stations was rolled out. The aim is to improve on service delivery standards of our ground handling service providers as well as ensure that Kenya Airways receives value for money paid in outstations for ground services.

Kenya Revenue Authority (KRA) is undertaking a reform and modernisation program in their Customs Department, which involves electronic clearance of cargo and flights. The program is intended to roll out on 1st July 2005. Kenya Airways was selected as a pilot partner for the electronic transfer of both passenger and cargo manifest. Once in place, the reforms will ensure that cargo dwell times will reduce and thus erode earnings from storage charges. A study on the effects of the reforms on our business has been carried out and a recovery program put in place.

The bureau and cyber cafe located at the Nairobi Cargo Centre was fully outsourced to an independent service provider with effect from January 2005. This is inline with our plan to remove non-core businesses from our portfolio.

Surrender of goods to customs for auction after failure by consignees to collect them, (and hence revenue loss to Kenya Airways), has reduced by 30% over the year. An initiative to contact the consignees direct as opposed to their agents was responsible for the improved results. We anticipate further improvements in the new financial year.

As part of the K-TAP initiatives, we introduced Service Level Agreements for ULD handling in all wide body stations for better accountability from our ground handlers. The result was that throughout the year, we did not record any loss from our ULD stock. We have also been able to bill defaulting agents in case of damages.

We invested approximately USD120 million in the purchase of new ground handling equipment in response to our growing fleet and to replace the aging equipment complement. Investment in new equipment will continue in line with the fleet expansion program.

Security

Due to the sensitivity of aviation security ICAO, IATA, Governments and Airline Operators are constantly mapping out strategies to counter threats to aviation and to enhance safety and security of airports/facilities, aircraft, passengers and crew. In this context, we consistently co-operate and co-ordinate with these partners in aviation security.

Overall in the 2004/2005 financial year there was only one security incident of concern. In November, one of our aircraft was grounded in Abidjan, Cote d'Ivoire for approximately 24 hours, due to militia forces taking control over Houphouet Boigny International Airport.

We immediately opened the Crisis Management Centre to monitor the situation and provide all assistance necessary. Thankfully the matter was resolved without any casualties, and our pilot flew to Accra shortly after the French military flushed out the militia and took over the airport. The pilot and his crew were awarded the

Miongoni mwa changamoto kubwa inayokabili kupokea kwa mizigo na wasafiri ni msongamano kwenye uwanja wa kimataifa wa Jomo Kenyatta, unaosababishwa na sehemu za kuegushwa ndege, sehemu abiria wanapowasilisha tiketi zao na kumbi za uwanja pamoja na njia za kuingilia kwenye ndege. Wakati tukipanua huduma zetu za safari za ndege katika sehemu nyengine, hali hii itazidi kutatiza shughuli za utoaji huduma kwenye viwanja vyetu vya ndege. Japokuwa tumebuni mikakati ya muda mfupi ili kushughulikia swala hili kwenye mipango yetu ya miaka mitatu, mikakati ya muda mrefu inategemea na uwezo wa Halmashauri wa kusimamia viwanja vya ndege KAA kuupanua uwanja wa JKIA.

Mnamo mwezi Februari mwaka huu 2005 mpango wa kuanzisha mapatano ya usawa katika utoaji huduma kwenye vituo vyote vya Kenya Airways ulizinduliwa. Lengo la mpango huu ni kuimarisha huduma zetu katika viwanja vya ndege na pia kuhakikisha kwamba shirika la Kenya Airways linapata thamani ya pesa zake inazolipa kwa huduma kama hizo kwengineko.

Mamlaka ya Ushuru (KRA) inajenga upya idara ya Forodha, mpango ambao ukikamilika utawezesha mizigo na utaratibu wa safari kufanywa kwa njia ya teknolojia. Mpango huu unatarajiwa kukamilika mnamo tarehe 1 mwezi Julai mwaka huu 2005. Shirika la Kenya Airways lilichaguliwa kuwa mshiriki wa majaribio wa mpango wa kuwahamisha wasafiri kutoka ndege moja hadi nyengine na pia kwa shehena ya mizigo. Punde mpango huu utakapokamilika, utahakikisha kwamba muda ambao shehena inakaa katika uwanja wa ndege umepunguzwa na hivyo kupunja mapato yapatikanayo kutoka kwenye huduma ya kuhifadhi shehena. Utafiti ulifanywa kuhusu athari za mabadiliko hayo kwenye shirika la Kenya Airways na mpango kabambe wa kuzuia athari hizo kuanzishwa.

Ofisi ya kutoa mawasiliano ya mtandao iliyopo katika Kituo chetu cha shehena hapa Nairobi kimepewa muendeshaaji wa kibinafsi kuanzia mwezi Januari mwaka huu 2005. Hatua hii inaambatana na mpango wetu wa kupunguza shughuli ambazo si za muhimu sana kutoka kwetu.

Usalimishaji wa bidhaa kwa idara ya Forodha kwa ajili ya mnada baada ya muagizaji kushindwa kulipa, (na hivyo basi kutupatia hasara), umepungua kwa asilimia 30% katika mwaka uliopita. Mpango wa kuwasiliana na muagizaji moja kwa moja badala ya kutumia wakala wake ndiyo sababu ya matokeo hayo. Tunategemea kuimarika zaidi kwa mpango huu mwaka huu.

Ikiwa ni mojawapo ya mpango uitwao K-TAP, tulianzisha huduma ya usawa katika kupokea shehena(ULD) kwenye vituo vyetu vyote vipana ili kuimarisha uwajibikaji miongoni mwa wafanyakazi wetu wenye kupakia mizigo. Matokeo yake ni kwamba kwa mwaka mzima uliopita hatukupata hasara yoyote itokanayo na huduma ya ULD. Pia tumuweza kuwatoza faini mawakala panapotokea uharibifu wa shehena.

Tuliwekeza takriban Dola za Kimarekani milioni 120 kununua vifaa vipya vya kupakua na kupakia mizigo ili kubadili vile vilivyochakaa. Mpango huu wa kununua vifaa vipya vya kupakua na kupakia mizigo utaendelea jinsi tunavyozidi kupanua shughuli zetu.

Usalama

Kutokana na umuhimu wa usalama katika safari za anga mashirika ya ICAO, IATA, serikali na mashirika ya ndege yamekuwa yakiendelea kutafuta mbinu za kukabiliana na vitisho na kuimarisha usalama katika viwanja vya ndege na vituo vyake, kwenye ndege zenyewe, kwa abiria na wafanyakazi wa ndege. Katika hali hii tumekuwa tukishirikiana na washiriki wengine wote wanaoshughulikia usalama wa safari za ndege.

Kwa ujumla katika mwaka 2004/2005 kulikuwa na kisa kimoja tu kinachohusu usalama. Mnamo mwezi Novemba, ndege yetu moja ilikwamaa mjini Abidjan kwa zaidi ya saa 24, Cote d'Ivoire

Taarifa
ya Afisa
Mkuu

Head of State Commendation Presidential Award for their courage by His Excellency the President Hon. Mwai Kibaki. The situation continues to be monitored on a day to day basis and safety reports are channelled to the necessary quarters for action.

We continue to strengthen our security capacity by reviewing and updating our guidelines, procedures, processes, systems and plans, and ensuring that our members of staff are well apprised of security developments.

During the year, we maintained close relations with all our security partners, continued to sensitize our staff on security trends, and supported them in the implementation of proactive measures.

To further ensure consistency of the effectiveness of our security system, we reorganised the security division, reviewed employee competencies and skills and effected a redundancy programme. This was followed by the identification and engagement of employees with more advanced and specialized security competences. These employees were taken through the basic ICAO 123 course on basic aviation security and other aviation security programmes as well as the airline's security programme to prepare them for a professional security career in the Airline. With the changes we are now providing aviation security with a difference as per best practice aviation security requirements.

Within the Airline's security enhancement goal, we installed several Closed Circuit Television Cameras (CCTVs) at various points at Jomo Kenyatta International Airport. This is already improving security intelligence through improved surveillance as well as promoting proactive and on-spot action on security matters.

Apart from the CCTV initiative, in September 2004 a joint Anti Pilferage team comprised of Kenya Airways, Kenya Airports Authority and the Kenya Police was formed to prevent and/or detect incidents of crime at Jomo Kenyatta International Airport. The joint initiative is aimed at preventing incidents of crime against passengers and their property as well as optimising the safety of airlines operating at JKIA and has yielded commendable results.

In order to further increase the level of security consciousness and culture in the organisation, we installed a Security Customer Service telephone hotline for use by our Staff to promptly alert our Security personnel on any suspicious persons, incidents or other information.

Our various ongoing security initiatives and a close linkage with our consistent Flight Safety enhancement initiatives continue to deliver to our customers and employees a safe and secure Airline.

Technical

Our Technical Department currently has Kenya Civil Aviation Authority (KCAA) approval to perform line and Heavy Maintenance on the following aircraft:

B777-200	RR Trent 892
B767-300	CF6-80C2 Series
B737-700	CFM 56-3
B737-200	JT8D Series
SAAB 340B	CT7-9

Preparations are far advanced to prepare for Joint Aviation Requirements 145 (JAR 145) approval which will allow us to undertake technical handling of a large complement of foreign carriers operating into Nairobi and Mombasa, which could lead to significant revenues for us.

A secondary advantage will be that we will be able to directly sign off work on Leased Aircraft which will qualify on re-delivery as being JAR compliant resulting in significant savings for us.

kutokana na wanajeshi kuuteka nyara uwanja wa ndege wa kimataifa wa Houphouet Boigny.

Tulifungua kituo maalum cha kukabiliana na maafa ili kuangalia hali itakavyokuwa na kutoa usaidizi ulipohitajika. Kwa bahati nzuri tatizo hilo lilitatuiliwa bila majeruhi yoyote kutokea na rubani wetu alirusha ndege yetu hadi mjini Accra Ghana muda mfupi baadaye baada ya majeshi ya Ufaransa kuwafurusha waasi hao na kuthibiti tena uwanja huo wa ndege. Rubani na wasaidizi wake walituzwa na Rais Mwai Kibaki tuzo iitwayo Head of State Commendation Presidential Award kwa ujasiri wao. Hali katika nchi hiyo bado inaendelea kutazamwa kwa makini kwa kila siku na ripoti kuhusu usalama wa uwanja huo zinafikishwa kunakohusika.

Tunaendelea kuimarisha uwezo wetu kuhusu usalama kwa kutazama na kuboresha miongozo, mbinu, mipango na mikakati yetu kwa kuhakikisha kwamba wafanyakazi wetu wanatathminiwa kuhusu mambo ya usalama.

Katika mwaka huu, tuliweza pia kuwa na uhusiano mzuri sana na washiriki wetu kiusalama, na kuendelea kuwaelimisha wafanyakazi wetu kuhusu mambo ya usalama na kuwasaidia kuyatekeleza.

Ili kuhakikisha ufanisi wa mitambo yetu ya usalama, tuliunda vizuri kitengo chetu cha usalama, kutathmini utendaji kazi wa wafanyakazi wake na ujuzi wao na kuanzisha zoezi la kupunguza baadhi yao. Hatua hii ilifuatiwa na kutambuliwa na kuwahusisha wafanyakazi katika mbinu za kisasa za usalama. Wafanyakazi walifunzwa kuhusu mpango uitwao ICAO 123 na mafunzo ya kimsingi kuhusu safari za ndege na mpango wa shirika kuhusu usalama ili kuwatayarisha na jukumu la usalama katika shirika letu. Kufuatia mabadiliko hayo, kwa sasa tunatoa usalama wa kutosha kuhusiana na matakwa na masharti ya usalama yanavyotakiwa kwenye shirika la ndege.

Kwa kutimiza mradi huu wa usalama, tuliweka mitambo kadhaa ya kamera za siri(CCTV) katika pembe tofautitofauti katika uwanja wa ndege wa kimataifa wa Jomo Kenyatta. Mradi huu umeimarisha usalama kupitia upelelezi na kuboresha ufanisi kuhusu maswala ya usalama.

Mbali na kamera za CCTV, mnamo mwezi Septemba mwaka 2004 timu ya pamoja ya kuzuia wizi iliyojumisha Kenya Airways, Kenya Airports Authority na Polisi iliundwa ili kuzuia na kugundua visa vya wizi katika uwanja wa Jomo Kenyatta. Mpango huu wa pamoja una lengo la kuzuia vitendo vya wizi dhidi ya abiria na mali zao na pia kuimarisha usalama wa ndege zinazotumia uwanja wa Jomo Kenyatta na umeonyesha mafanikio makubwa.

Ili kuongeza kiwango cha usalama na tabia ya kuwa na tahadhari kwenye shirika letu, tuliweka simu ya dharura ya kutumiwa na wafanyakazi wetu kuwafahamisha kwa haraka maofisa wa usalama wanaposhuku mtu yoyote, kitu chochote au kisa chochote au kutoa taarifa yoyote.

Mipango yetu ya usalama ambayo inaendelea na usalama ndani ya ndege zetu imeweza kuwafaidi wateja na wafanyakazi wetu kuhusu hatua hizo za usalama.

Ufundi

Idara yetu ya ufundi kwa sasa imethibitishwa na mamlaka ya KCAA kuweza kufanya matengenezo kwenye aina ya ndege zifuatazo:

B777-200	RR Trent 892
B767-300	CF6-80C2 series
B737-700	CFM 56-3
B737-200	JT8D series
SAAB 340B	CT7-9

Matayarisho yamefanywa kujitayarisha na Masharti ya pamoja

The JAR 145 approval will further provide our customers which the assurance that we are maintaining our aircraft to European Standards.

We have implemented the ICARUS Inventory Control System fully and are currently in the process of implementing integrated Maintenance Operational and Control Systems that will enhance our efficiencies and at the same time improve our costing and planning information.

The implementation of the integrated operational and control system will significantly increase the accuracy of information that is available to us and assist forward planning. This will enable us to eliminate most schedule disruptions due to maintenance activities. The system will further allow us to accurately cost maintenance events which can then be compared to Industry Standards. Such event costing will also allow us to quote for such events and will put us in a position to capture and control the costs during the execution of the work.

In March, we *stretched* the new hangar that is being built for the Boeing 777s in our fleet. The construction is taking place using stretched-arch technology which is a state-of-the-art method that costs 30% less than conventional pre-engineered systems and also takes 25% less time to construct. In addition the technology ensures greater safety to construction personnel as most of the assembly work is done at lower levels before being stretched to a height of 12 meters. The cost of the new hangar is Kshs 536 million, and will result in cost savings to the company as maintenance work on the B777 fleet will now be conducted locally instead of in Europe and the USA.

Corporate Social Responsibility

We began to streamline our Corporate Social Responsibility strategy towards the end of the 2004/2005 financial year to ensure that the money spent on the less fortunate in our communities has more impact by focusing more of our funding on fewer projects.

On this note, we donated Kshs 2 million to the construction of shallow wells in Makueni. We are working with AMREF to ensure that potable water will be made available to the communities in this area, enabling them to take part in economic activities such as agriculture and ensuring their resources are better utilised in this way rather than in the constant quest for water.

The Kenya Airways Save-a-Life effort raised Kshs 7.23 million shillings from staff, passenger and company contributions, we augmented this amount slightly to Kshs 7.5 million shillings and made food donations on the basis of greatest need in partnership with the Kenya Red Cross to Mwingi, Marsabit and Lamu to the tune of Kshs 2million per donation. We donated Kshs 1million to Kutulo Primary School in El Wak for the construction of a water tank and the balance went to logistics. We are in the process of auditing the donations and any surplus shall be utilised towards the original objectives of the programme.

We also sponsored the Worldspace-KIE school broadcasts by paying the second year of subscription fees for North Eastern Province to the tune of Kshs 1.3 million. We are committed to three years of support and we shall review our participation at the end of our initial commitment period.

We shall continue to focus our efforts on water resource

yanayohusu safari za anga (JAR 145) punde yatakapoidhinishwa ambapo yatauruhusu kushughulikia mambo mengi ya kiufundi ya ndege za kigeni zinazotumia viwanja vya Nairobi na Mombasa, na hii itatuletea faida kwetu.

Jambo la pili ambalo tutafaidika nalo ni kutuwezeshwa kukodisha ndege kutoka mashirika mengine kwa kufuata utaratibu wa JAR na kutuletea faida. Mpango wa masharti hayo ya pamoja ya safari za anga JAR 145 yatawahakikishia wateja wetu kwamba shirika letu pia linatoa huduma zinazolingana na viwango vya mataifa ya Ulaya.

Tumeanzisha mfumo wa kuhakikisha kwamba viti vya ndani ya ndege zetu vinapatikana kwa urahisi mpango uitwao ICARUS na kwa sasa tuna mipango ya kuanza kutekeleza miradi ya usimamizi na jinsi ya kuthibiti mfumo huo na hivyo kuimarisha maelezo kuhusu tunavyopanga kazi yetu.

Kuanzishwa kwa mpango huo kutaongeza kwa kiwango kikubwa usawa wa maelezo kuhusu utendaji kazi wetu na kutusaidia katika kuweka mipango ya baadaye. Mipango hii itatuwezeshwa kupunguza usumbufu wa kubadilisha safari za ndege kutokana na shughuli za matengenezo ya ndege zetu. Pia mpango huu utatuwezeshwa kukadiria kwa uhakika shughuli za matengenezo na kuzilinganisha na viwango vya kimataifa. Kadhalika makadirio hayo ya matengenezo yatatuwezeshwa kuweza kunukuu shughuli kama hizo na kutuweka katika hali ya kujua gharama za kazi wakati ikiendelea.

Mnamo mwezi Machi, tuliongeza ukubwa wa banda letu la ndege ili kuweza kuingia ndege kubwa aina ya Boeing 777. Ukarabati huo unaendelea kwa kutumia teknolojia ya kisasa mtindo ambao unapunguza kwa asilimia 30% shughuli za ujenzi za kawaida na pia huchukua chini ya asilimia 25% ya muda wa kujenga. Isitoshe teknolojia hiyo inahakikisha kwamba kuna usalama wa kutosha kwa wafanyakazi wanaoshughulikia ujenzi huo kwani kazi hiyo hufanywa kwa hadi kufikia urefu wa mita 12. Gharama ya banda hilo jipya la kuhifadhi ndege ni shilingi milioni 536 na utaliwezeshwa shirika kuokoa kiasi cha fedha kwani matengenezo ya ndege aina ya B777 sasa yatakuwa yakifanyiwa humuhumu nchini badala ya kule Ulaya na Marekani.

Jukumu letu kwa mashirika na jamii

Tulianza kurekebisha mikakati ya majukumu yetu kwa mashirika na jamii kufikia mwishoni mwa mwaka 2004/2005 ili kuhakikisha kwamba fedha tulizotumia kwa watu wasiobahatika katika jamii inakuwa na maana zaidi, tukiangazia ufadhili kwa miradi michache.

Kwenye hatua hii, tulichanga jumla ya shilingi milioni 2 kwa ujenzi wa visima vya maji wilayani Makueni. Tunashirikiana na shirika la AMREF kuhakikisha kwamba maji yanapatikana kwa jamii zilizoko katika sehemu hii ili kuwawezeshwa kushiriki kwenye harakati za kiuchumi kama vile ukulima na kuhakikisha rasilimali zao zinatumiwa vizuri kwa njia hii badala ya haja ya kutafuta maji.

Mpango wa Save-a-Life ulichanga jumla ya shilingi milioni 7.23 kutoka kwa wafanyakazi, wasafiri na mchango wa shirika, na kufikisha kiwango hiki cha fedha hadi shilingi milioni 7.5 na kutoa misaada ya chakula kwa wenye kuhitaji kwa ushirikiano na shirika la Msalaba Mwekundu wilayani Mwingi, Marsabit na Lamu msaada wa kiasi cha shilingi milioni 2 kwa kila wilaya. Tulichanga shilingi milioni 1 kwa shule ya msingi ya Kutulo huko El Wak ili kujenga tangi la maji. Kwa sasa tuko katika mipango ya kupiga hesabu za michango tuliyotoa na ziada yoyote itatumiwa kwenye miradi iliyokusudiwa tokea mwanzo.

Kadhalika tulidhamini mradi wa matangazo kwa shule kupitia Worldspace-KIE kwa kulipia ada ya shilingi milioni 1.3 kwenye mkoa wa Kaskazini Mashariki. Tumeahidi kuwalipia ada hivyo kwa muda wa miaka mitatu na tutatahmini udhamini wetu

Taarifa
ya Afisa
Mkuu

management and child welfare as we move into the new financial year to ensure that we do give back and invest in the community in a meaningful manner.

Cash

The Company had some Ksh. 6.3bn of cash and cash deposits as at 31st March 2005. Whilst this is at an historically high level, this is primarily because of the relatively low levels achieved in previous years. Although the recent improvement in profitability has enabled greater sums of cash to be accumulated, nevertheless, significant sums of cash are likely to be required in the near future to fund deposits on additional aircraft acquisitions as part of the Company's strategic development plan. These needs may include additional long-haul aircraft, such as the Boeing 777, for which deposits may be required in the region of Ksh. 2bn per aircraft. Accordingly, the current levels of cash equate to only three such aircraft deposit requirements, which the Board consider it would be prudent to retain, pending confirmation in the near future of the Company's additional aircraft requirements.

Looking Forward

Our fleet strategy is structured to build on passenger and cargo traffic which are on the increase partly because of the first new B777. We have seen an increase in demand for wide body operations, especially on European routes and also excess baggage from the African trader traffic from the Asia.

As part of our growth strategy, we are this year opening up a number of new routes namely: Nairobi-Cairo-Istanbul in June 2005 Nairobi-Dakar in July 2005 Nairobi-Harare-Maputo in August 2005, Nairobi-Bangkok-Shanghai in August 2005, and Nairobi-Freetown in November 2005. This is part of our focus to become the African airline of choice by linking crucial destinations, and in addition providing access to the rest of the world, via our Nairobi hub.

In light of our plans to expand, we will need to continue to work closely with Kenya Airports Authority to ensure the JKIA rehabilitation is started in time come October 2005. Our Customer Service initiatives will continue as a key project.

We are also starting a Performance Improvement Programme (PIP) to replace KTAP with a view to maintaining our profit improvement programme.

All in all this has been a very exciting year for us and with all the measures we have put into place over the past two years we anticipate that 2005/2006 will be a year of fewer internal hurdles as most of the groundwork is now in place in terms of our IS infrastructure and our HR strategy. The Commercial Department is also focused on key goals for the coming three years and with passenger and cargo priorities in order along with our ground and flight operations teams having put into place key lessons from the past two years and prepared to face the challenges of our new route expansion strategy and customer focus we feel we now have what we need in place to take us to the next level and drive this company into a new realm.

Titus Naikuni
Chief Executive

baada ya kumalizika kwa kipindi hiki.

Tutaendelea kulenga juhudi zetu katika miradi ya maji na ustawi wa watoto wakati huu tukiingia mwaka mwingine wa kifedha ili kuhakikisha kwamba tunatoa michango yetu na kuisaidia jamii kwa njia ifaayo.

Fedha

Kufikia mwishoni mwa tarehe 31 Machi mwaka 2005 shirika lilikuwa na kiasi cha shilingi bilioni 6.3. Kiasi hiki ambacho ni kikubwa katika historia ya shirika letu, lakini inatokana na viwango vya chini katika miaka iliyopita. Ingawaje matokeo hayo bora ya fedha yametuwzesha kuhifadhi fedha za kutosha, japokuwa kiasi kikubwa cha pesa kitahitajika katika siku za hivi karibuni kununua ndege zaidi katika mikakati yetu ya kupanua shughuli zetu.

Mahitaji haya yaweza kuwa ni ndege kubwa za masafa marefu kama aina ya Boeing 777, ambapo kiasi cha shilingi bilioni 2 zinahitajika kwa kila ndege moja. Kiwango cha sasa cha fedha tulichonacho, ni sawa na malipo yanayohitajika kwa kununua ndege tatu pekee, ambapo Halmashauri ya Wakurugenzi iliona ni bora kubakia na fedha hizo, tukisubiri uhakikisho katika siku za hivi karibuni iwapo tutahitaji ndege zaidi.

Matarajio

Mikakati ya kuimarisha ndege zetu imepangiliwa kwa minajili ya kuongeza idadi ya abiria na shehena idadi ambayo imeongezeka kutokana na ndege yetu mpya ya kwanza aina ya B777. Tumeanza kuona idadi iliyoongezeka ya mahitaji ya wateja ya kutaka ndege zenye upana, hususan kwenye safari za kwenda Ulaya na pia ongezeko la shehena kutoka barani Asia.

Ikiwa ni sehemu ya mikakati yetu ya upanuzi wa shughuli zetu, mwaka huu tunatarajia kuanzisha safari nyengine mpya: Nairobi-Cairo-Istanbul mnamo mwezi Juni mwaka 2005 Nairobi-Dakar mwezi Julai 2005 Nairobi-Harare-Maputo mwezi Agosti mwaka 2005, Bangkok-Shanghai mwezi Agosti 2005 na Nairobi-Freetown mnamo mwezi Novemba mwaka 2005. Hii ni mojawapo ya lengo letu la kuwa shirika la ndege nambari moja la Kiafrika kwa kuunganisha safari zetu kwenye miji muhimu, na pia kuzidi kurahisisha safari katika sehemu nyengine duniani kwa kupitia Nairobi kama kituo muhimu.

Kuambatana na mikakati yetu ya kupanua shughuli zetu, tunahitajika kuendelea kufanya kazi kwa karibu zaidi na Halmashauri ya viwanja vya ndege (KAA) kuhakikisha kwamba ukarabati wa uwanja wa JKIA unianza kama ilivyopangwa hapo mwezi Oktoba mwaka 2005. Mipango yetu ya huduma kwa wateja itaendelea kuwa mikakati muhimu.

Kadhhalika tumeanzisha mpango wa kuimarisha ufanisi wa kazi uitwao PIP kubadilisha ule wa zamani uliokuwa ukiiwa KTAP ili kuizidi kuimarisha faida yetu.

Kwa ujumla huu ulikuwa ni mwaka mwema kwetu sote na kwa mipango yote tuliyoweka katika miaka miwili iliyopita tunategemea kwamba mwaka 2005/2006 utakuwa mwaka usio na vikwazo vingi kwani nyingi imekwishafanywa na inaendelea kutekelezwa kwenye miradi yetu ya teknolojia ya mawasiliano na huduma ya wafanyakazi. Idara ya biashara pia imejiwekea malengo yake makuu katika kipindi cha miaka mitatu ijayo na kipaumbele kupewa wasafiri na shehena na huduma zetu za usafiri zikijifunza mambo mengi kutokana na mambo yalivyokuwa miaka miwili iliyopita na kujitayarisha kwa changamoto ya mikakati yetu ya upanuzi wa shughuli zetu tukilenga zaidi wateja na tukihisi kwamba sasa tumefikia malelengo yetu mengi ambayo yatatupeleka kwenye kiwango cha juu cha ufanisi na kuifanya kampuni hii katika upeo wa juu zaidi.

Titus Naikuni
Afisa Mkuu



[We take Pride in our Identity]

Corporate Governance

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

Kenya Airways Board of Directors is responsible for the governance of the airline and is accountable to the shareholders for ensuring that the company complies with the law and the highest standards of corporate governance and business ethics. The Directors attach great importance to the need to conduct the business and operations of the airline and the group with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of good corporate governance.

Board of Directors

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

Nine out of the eleven members of the board are non-executive including the Chairman of the board, and all other than the group managing director, group finance director and two KLM Directors are subject to periodic reappointment in accordance with the company's articles of association.

Committees of the Board

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

Audit Committee.

The board has consulted an audit committee, which meets four times a year or as necessary. Its membership comprises Mr. Dinesh Kapila (Chairman), Mr. J. K. Kinyua, Dr Chris Obura, Mr Remco Smit, Mr. Denis Afande and Mr. Titus Naikuni. Its responsibilities include review of financial information in particular half year and annual financial statements, 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 executives attend as required.

Staff Committee

There is a staff committee of the board. Its membership comprises Dr Chris Obura (Chairman), Mr. Micah Cheserem, Mr. Titus Naikuni and Mr. Dinesh Kapila. The committee meets quarterly or as required. The committee is responsible for monitoring and appraising the performance of senior management, including the Group Managing Director, review of all human resources 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 Director of human resources attend all the meetings of the committee.

Finance Committee

There is also a finance committee. It meets three times a year or as required. It comprises Mr. Micah Cheserem (Chairman), Mr. Titus Naikuni, Mr. J. K. Kinyua, Mr. Denis Afande and Mr. Remco Smit. Among its responsibilities is to receive and consider the company's annual budget, to review the purchasing tender regulations and to consider recommendations for capital expenditure. It also reviews proposals involving opening of new routes, aircraft developments, listing on other stock exchanges, aircraft purchases, financing, and long term leases. The Group Finance Director attends the meetings of the committee.

Internal Controls

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

Code of Ethics.

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

Communication with Shareholders.

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

In this regard, the company complies with its obligations contained in the stock exchanges listing rules and the capital markets authority acts applicable in Kenya, Uganda and Tanzania.

Directors Emoluments and loans.

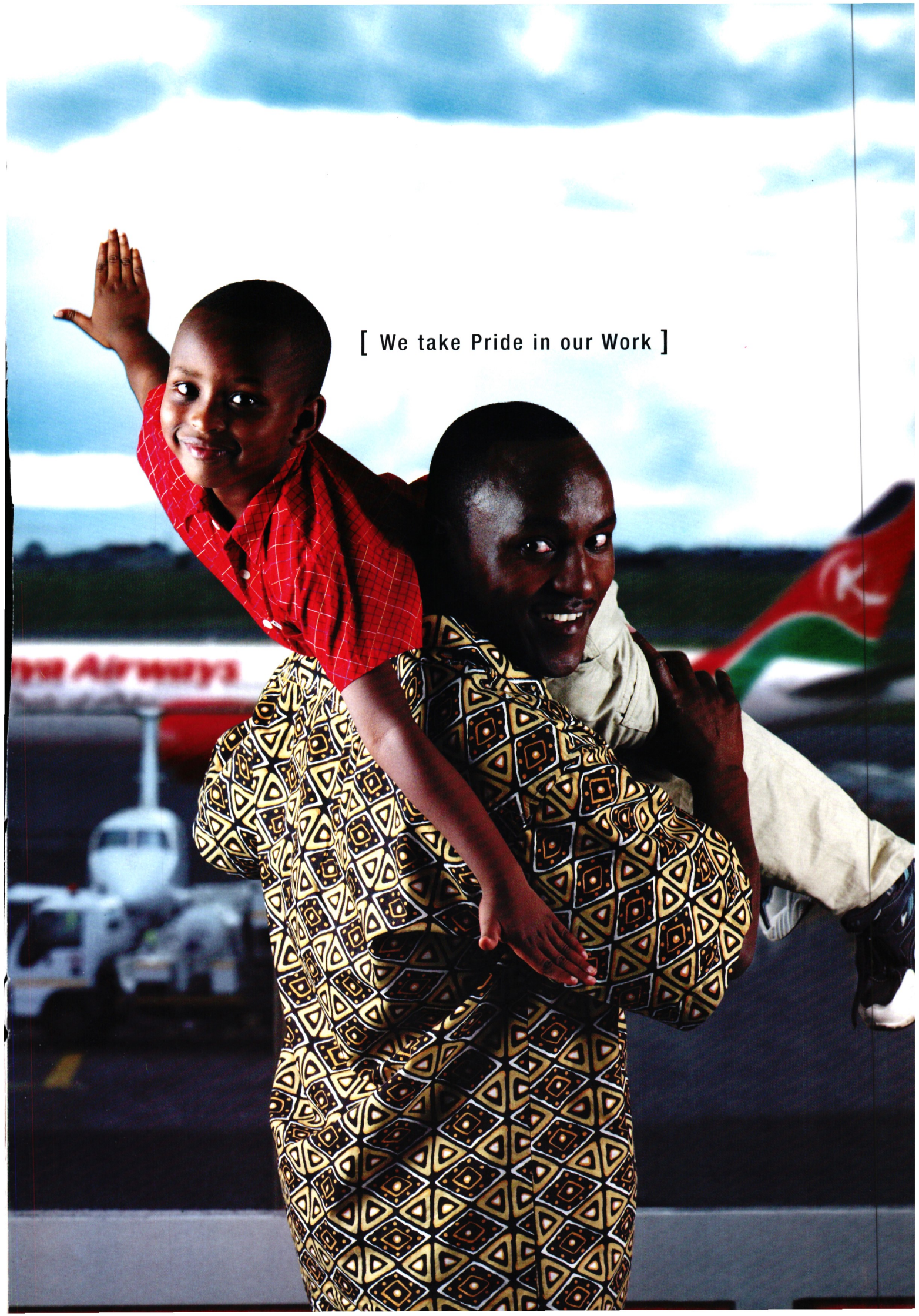
The aggregate amount emoluments paid to Directors for services rendered during the financial year 2005 are disclosed in the note to the financial statements. Neither at the end of the financial year, nor at any time during the year did there exist any arrangement to which the company is a party, whereby Directors might acquire benefits by means of the acquisition of the company's shares.

There were no Directors loans at any time during the year. Directors interests in the share of the company, the distribution of the company's shareholding and analysis of the ten largest shareholders as at 30th April 2005 were as follows:

Directors Interests.

Name of Director	Number of Shares
Permanent secretary to the treasury	106,171,561
Mr I E Omolo Okero	2,018
Mr Dinesh Kapila	4,036
Dr Chris Obura	120,180
Mr Micah Cheserem	10,000

[We take Pride in our Work]



Three year
Summary of
Financial
Highlights

FINANCIAL HIGHLIGHTS

The Group	2005		2004		2003 (Restated)	
	KShs. Million	US\$ Million	KShs. Million	US\$ Million	KShs. Million	US\$ Million
Turnover						
Passenger	35,182	444.5	25,772	337.6	23,470	299.1
Freight & Mail	4,019	50.8	2,684	35.2	2,387	30.4
Handling	900	11.4	903	11.8	915	11.7
Other	2,133	26.9	1,625	21.3	689	8.8
Total	42,234	533.6	30,984	405.9	27,461	350.0
Direct Expenditure	(29,065)	(367.3)	(22,001)	(288.2)	(20,561)	(262.0)
Overheads	(6,580)	(83.1)	(6,306)	(82.6)	(5,985)	(76.3)
Operating Profit	6,589	83.2	2,677	35.1	915	11.7
Operating Margin %	15.6%		8.6%		3.3%	
Net Financial Expenses	(770)	(9.7)	(510)	(6.7)	(407)	(5.2)
Foreign exchange gain/(loss)	(372)	(4.7)	(151)	(2.0)	145	1.8
Other Non-Operating Items	73	0.9	59	0.8	103	1.3
Profit before tax & minority	5,520	69.7	2,075	27.2	756	9.6
Taxation	(1,645)	(20.8)	(773)	(10.1)	(339)	(4.3)
Minority Interest	7	0.1			(17)	(0.2)
Profit for the year	3,882	49.0	1,302	17.1	400	5.1
Profit after Tax Margin %	9.2%		4.2%		1.5%	
Dividends	577	7.3	346	4.5	231	2.9

OPERATING STATISTICS

	2005	2004	2003
Passengers	2,041,487	1,701,170	1,621,429
RPK's (Millions)	5,627	4,366	3,994
ASK's (Millions)	7,461	6,221	5,872
Passenger Load Factor (%)	75.4	70.2	68.0
Cargo Tonnes	44,405	32,147	28,497
Pax yield per RPK (Usc)	7.67	7.54	7.30
Employees			
Airline	2,075	2,042	2,311
Group	3,222	2,977	3,418

Aircraft in Service at Year End

	2005	2004	2003
Boeing 777-200	1	0	0
Boeing 767-300	6	5	5
Boeing 737-700	4	4	3
Boeing 737-300	4	4	4
Boeing 737-200	3	3	2
SAAB 340	2	2	2
Beechcraft-1900C	0	1	1

EXECUTIVE DIRECTORS

T T Naikuni - Managing Director
R N Canty - Group Finance Director (Appointed on
28 January 2005)
FC Smyth - Group Finance Director (Resigned on
28 January 2005)

NON EXECUTIVE DIRECTORS

I E Omolo Okero - Chairman
H A Essenberg
D Kapila
M Cheserem
Dr C W Obura
Dr G K Ikiara
J Kinyua - Appointed on 29 July 2004
D D Afande - Appointed on 26 November 2004
P F Hartman - Appointed on 28 January 2005
H Korteweg - Alternate to H. Essenberg on 28
October 2004
R Smit - Appointed on 28 October 2004 to be
alternate to H. Essenberg. Ceased as
alternate to R. Ruijter on 28 January
2005
R A Ruijter - Resigned on 28 January 2005
M L Somen - Resigned on 26 November 2004
J Magari - Resigned on 29 July 2004

SECRETARY

Fiona Fox
P O Box 41968, 00100
Nairobi

REGISTERED OFFICE

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

REGISTRARS

Barclays Advisory and Registrar Services Limited
P O Box 30120, 00100
Nairobi

AUDITORS

Deloitte
"Kirungii", Ring Road
Westlands
P.O. Box 40092, 00100
Nairobi

PRINCIPAL BANKERS

Barclays Bank of Kenya Limited
Barclays Plaza
P O Box 30120
Nairobi

Citibank N A
Upper Hill Road
P O Box 30711
Nairobi



The directors present their report together with the audited group financial statements for the year ended 31 March 2005.

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 33 destinations in Africa, Middle East and Asia and Europe. At year-end, the group had twenty aircraft in operation, either owned or on operating leases. These comprised one Boeing 777 wide body jet, six Boeing 767 wide body jets, eleven 737 narrow body jets and two SAAB 340B turboprops.

RESULTS

	KShs'million
Group profit before taxation	5,520
Taxation	(1,645)
Net profit before minority interest	3,875
Minority interest	7
Net profit for the year transferred to revenue reserve	<u>3,882</u>

DIVIDENDS

The directors recommend the payment of a final dividend of Shs 1.25 per share (2004 – Shs 0.75 per share).

DIRECTORS

The board of directors is shown on page 37.

AUDITORS

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

BY ORDER OF THE BOARD

Fiona Fox
Secretary
Nairobi
26 May 2005

Sehemu ya 1,4

Mimi / Sisi _____ wa _____

**Fomu ya
Uwakilishi**

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

_____ wa _____

Na akikosa yeye _____ wa _____

Kama mwakilishi *wangu/ wetu * kunipigia/kutupigia kura katika mkutano mkuu wa kila mwaka wa kampuni utakaofanywa mnamo jumatano tarehe 12 Agosti 2005 na wakati wa ahirisho lolote litakalotokea baadaye.

(*weka inavyostahili)

Sahihi _____

Sehemu ya 2, 3, 4

Naweka sahihi siku hii _____ ya _____ 2005

Fomu inatumika* kukubali/kupinga maazimio. Kama haikuelezwa vingine, inachukuliwa kuwa mwakilishi atapiga kura kama anavyopendelea.

(*weka inavyostahili)

Maelezo

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

Barua ya ualishi ya wenyehisa

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

Jina: _____

Sahihi: _____

Nambari ya hisa: _____

Mkutano mkuu wa kila mwaka wa Kenya Airways Limited utakaofanyika Bomas of Kenya, Nairobi tarehe 12 Agosti 2005 saa tano asubuhi.

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 12th August 2005 and at any adjournment thereof.

(*Strike out as appropriate)

Signature(s) _____

Notes 2, 3,4

Signed this _____ day of _____ 2005

This form is to be used* in favour of/against the resolution. Unless otherwise instructed, the proxy will vote as he/ she 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 not 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 one holder will be sufficient but names of all joint holders should be stated.

Shareholder 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 Bomas of Kenya, Nairobi on 12th August 2005 at 11.00a.m.

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

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

Nothing has come to the attention of the directors to indicate that any of the companies in the group will not remain a going concern for at least the next twelve months from the date of this statement.

I E Omolo Okero
Director

T T Naikuni
Director

26 May 2005

26 May 2005

We have audited the financial statements on pages 41 to 74 for the year ended 31 March 2005 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 39, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion:

- (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
- (b) the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 March 2005 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

Deloitte.

Nairobi
26 May 2005

FOR THE YEAR ENDED 31 MARCH 2005

Consolidated
Income
Statement

	Notes	2005 KShs'million	2004 KShs'million
Turnover	2	42,234	30,984
Direct expenditure	4(a)	(29,065)	(22,001)
Gross profit		13,169	8,983
Overheads	4(b)	(6,580)	(6,306)
Operating profit		6,589	2,677
Other income		54	122
Share of results of associated company	12(c)	19	(63)
Finance costs (net)	5	(1,142)	(661)
Profit before taxation		5,520	2,075
Taxation	6	(1,645)	(773)
Profit before minority interest		3,875	1,302
Minority interest	19	7	-
Net profit for the year		3,882	1,302
Earnings per share - basic	7	KShs 8.40	KShs 2.82
- diluted	7	KShs 8.40	KShs 2.82
Dividends per share	8	KShs 1.25	KSh 0.75

**Company
Income
Statement**

FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 KShs'million	2004 KShs'million
Turnover	2	41,333	29,451
Direct expenditure	4(a)	(28,582)	(20,960)
Gross profit		12,751	8,491
Overheads	4(b)	(6,456)	(5,704)
Loss on closure of subsidiary's operations	12(b)	(537)	-
Operating profit		5,758	2,787
Other income		15	25
Share of results of associated company	12(c)	19	(63)
Finance costs (net)	5	(1,140)	(607)
Profit before tax		4,652	2,142
Taxation	6	(1,632)	(693)
Net profit for the year		3,020	1,449
Earnings per share - basic	7	KShs 6.54	KShs 3.14
- diluted	7	KShs 6.54	KShs 3.14
Dividends per share	8	KShs 1.25	KSh 0.75

	Notes	2005 KShs'million	2004 KShs'million
ASSETS			
Non current assets			
Property, plant and equipment	9	25,808	15,267
Intangible assets	10	74	111
Prepaid lease rentals	11	26	27
Investments in associated companies	12 (c)	50	31
Deposits	13	7,302	7,472
		33,260	22,908
Current assets			
Inventories	15	896	859
Trade and other receivables	16	4,134	3,225
Amounts due from related companies	25	223	14
Cash and cash equivalents	17	6,309	2,273
		11,562	6,371
TOTAL ASSETS		44,822	29,279
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,308	2,308
Revenue reserve		9,071	5,766
Hedging reserve		373	-
Proposed dividends	8	577	346
Shareholders' funds		12,329	8,420
Minority interest	19	11	18
Non-current liabilities			
Borrowings	20(b)	15,704	9,130
Deferred tax	21	2,786	2,093
		18,490	11,223
Current liabilities			
Sales in advance of carriage		3,328	2,277
Trade and other payables	22	5,549	4,326
Deferred income		1,245	-
Accruals for staff leave entitlements	23	670	513
Amounts due to related companies	25	10	18
Borrowings	20(b)	2,669	2,279
Tax payable	6(b)	521	205
		13,992	9,618
		44,822	29,279

The financial statements on pages 41 to 74 were approved by the board of directors on 26th May 2005 and were signed on its behalf by:

I E Omolo Okero
Director

T T Naikuni
Director

Balance Sheet

	Notes	2005 KShs'million	2004 KShs'million
ASSETS			
Non current assets			
Property, plant and equipment	9	25,258	14,067
Intangible assets	10	72	106
Prepaid lease rentals	11	25	26
Investment in subsidiaries	12(a)	403	403
Investments in associated companies	12(c)	50	31
Deposits	13	7,302	7,472
Goodwill	14	34	45
		33,144	22,150
Current assets			
Inventories	15	896	810
Trade and other receivables	16	4,097	2,923
Amounts due from related companies	25	579	1,506
Cash and cash equivalents	17	6,176	2,013
		11,748	7,252
TOTAL ASSETS		44,892	29,402
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	2,308	2,308
Revenue reserve		8,237	5,794
Hedging reserve		373	-
Proposed dividends	8	577	346
Shareholders' funds		11,495	8,448
Non-current liabilities			
Borrowings	20(b)	15,704	9,130
Deferred tax	21	2,834	2,054
		18,538	11,184
Current liabilities			
Sales in advance of carriage		3,328	2,277
Trade and other payables	22	5,449	4,078
Deferred income		1,245	-
Accruals for staff leave entitlements	23	653	506
Due to related companies	25	1,035	397
Borrowings	20(b)	2,669	2,279
Tax payable	6	480	233
		14,859	9,770
		44,892	29,402

The financial statements on pages 41 to 74 were approved by the board of directors on 26 May 2005 and were signed on its behalf by:

I E Omolo Okero
Director

T T Naikuni
Director

FOR THE YEAR ENDED 31 MARCH 2005

Consolidated
Statement
of Changes in
Equity

	Share capital KShs'million	Revenue reserve KShs'million	Hedging reserve KShs'million	Proposed dividends KShs'million	Total KShs'million
At 1 April 2003					
As previously reported	2,308	4,799	-	231	7,338
Prior year adjustments	-	11	-	-	11
As restated	2,308	4,810	-	231	7,349
Net profit for the year	-	1,302	-	-	1,302
Dividends paid	-	-	-	(231)	(231)
Proposed dividends	-	(346)	-	346	-
At 31 March 2004	2,308	5,766	-	346	8,420
At 1 April 2004	2,308	5,766	-	346	8,420
Hedged exchange differences on loans	-	-	533	-	533
Deferred taxation on hedged exchange differences	-	-	(160)	-	(160)
Net profit for the year	-	3,882	-	-	3,882
Dividends paid	-	-	-	(346)	(346)
Proposed dividends	-	(577)	-	577	-
At 31 March 2005	2,308	9,071	373	577	12,329

**Company
Statement
of changes
Equity**

FOR THE YEAR ENDED 31 MARCH 2005

	Share capital KShs'million	Revenue reserve KShs'million	Hedging reserve KShs'million	Proposed dividends KShs'million	Total KShs'million
At 1 April 2003					
As previously reported	2,308	4,672	-	231	7,211
Prior year adjustments	-	19	-	-	19
As restated	2,308	4,691	-	231	7,230
Net profit for the year	-	1,449	-	-	1,449
Dividends paid	-	-	-	(231)	(231)
Proposed dividends	-	(346)	-	346	-
At 31 March 2004	2,308	5,794	-	346	8,448
At 1 April 2004	2,308	5,794	-	346	8,448
Hedged exchange differences on loans	-	-	533	-	533
Deferred taxation on hedged exchange differences	-	-	(160)	-	(160)
Net profit for the year	-	3,020	-	-	3,020
Dividends paid	-	-	-	(346)	(346)
Proposed dividends	-	(577)	-	577	-
At 31 March 2005	2,308	8,237	373	577	11,495

FOR THE YEAR ENDED 31 MARCH 2005

Consolidated
Cash Flow
Statement

	Notes	2005 KShs'million	2004 KShs'million
OPERATING ACTIVITIES			
Cash generated from operations	24	10,501	4,568
Taxation paid		(796)	(34)
Interest paid		(844)	(561)
Interest received		69	51
Net cash generated from operating activities		8,930	4,024
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,361)	(3,593)
Purchase of intangible assets		-	(7)
Deposit refunds received		3,836	-
Deposits paid for aircraft purchases		(4,036)	(3,887)
Proceeds of disposal of property, equipment & investments		84	29
Net cash used in investing activities		(12,477)	(7,458)
FINANCING ACTIVITIES			
Proceeds of long term borrowing		11,646	4,263
Repayment of long term borrowings		(3,717)	(772)
Dividends paid		(346)	(231)
Net cash generated from financing activities		7,583	3,260
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		4,036	(174)
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR			
		2,273	2,447
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	17	6,309	2,273

The financial statements are prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention as modified by the carrying of certain financial instruments at fair value.

The principal accounting policies adopted are set out below:

(a) Basis of consolidation

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

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

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation. A listing of the subsidiaries in the group is provided in note 12.

(b) Interests in associated companies

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Any excess or deficiency of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill or negative goodwill. Where a group enterprise transacts business with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

(c) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and amortised on the straight-line basis over its estimated useful life.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

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

(d) Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary, associate or jointly controlled entity at the date of the acquisition over the cost of acquisition.

Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses crystallise. The remaining negative goodwill is recognised as income on the straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised to income

immediately. Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of the subsidiaries and jointly controlled entities is presented separately in the balance sheet as a deduction from assets.

(e) Revenue recognition

Passenger ticket sales and cargo airway bills net of discount are recognised as traffic revenue when the air transport has been carried out. The value of the tickets sold and still valid but not used by the balance sheet date is reported as unearned transportation revenue in the sales in advance of carriage account. This item is reduced either when Kenya Airways or another airline completes the transportation or when the passenger requests for a refund. Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. Other revenue is recognised at the time the service is provided.

Commission costs are recognised at the same time as the revenue to which they relate and are charged to cost of sales. Unutilised expired tickets are recognised as revenue when the holder of the ticket is no longer entitled to the refund.

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

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

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

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

(g) Foreign currencies

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

(h) 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 or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(i) Employee entitlements

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

(j) **Retirement benefits costs**

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

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

(k) **Restructuring provisions**

Restructuring provisions mainly comprise employee termination payments and are recognised in the period in which the company becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and numbers of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the company are not provided for in advance.

(l) **Taxation**

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

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

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

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

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

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

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

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

(m) **Property, plant and equipment**

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

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

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

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised to income.

(n) Leasehold land

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

(o) Impairment

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

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

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

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

(p) Inventories

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

(q) Financial instruments

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

Trade receivables

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

Investments

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

Investments other than held-to-maturity debt securities are classified as either held-for-trading or available-for-sale and are measured at subsequent reporting dates at their fair value. Where securities are held for trading purposes, gains and losses arising from changes in investments, gains and losses arising from changes in fair value are recognised directly to equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to the net profit or loss for the period.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issues costs, are recognised to the income statement on the accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

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

Hedge accounting

For the purposes of hedge accounting, hedges are classified into two categories:

- a) Fair value hedges which hedge the exposure to changes in fair value of a recognised asset or liability.
- b) Cash flow hedges, which hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or forecasted transaction.

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

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

(r) Provisions

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

(s) Frequent flyer programmes

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

(t) Comparatives

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

2. TURNOVER

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Passengers	35,182	25,772	35,182	25,233
Freight and mail	4,019	2,684	4,019	2,684
Handling	900	903	1	-
Others	2,133	1,625	2,131	1,534
	42,234	30,984	41,333	29,451

3 SEGMENTAL INFORMATION

(a) Primary segment information - Geographical segments

Turnover

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

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

Geographical analysis of turnover

	2005 KShs'million	2004 KShs'million
Kenya	3,801	3,389
Africa	16,943	12,386
Middle East	8,594	5,340
Europe	12,896	9,869
	42,234	30,984

Geographical analysis of operating profit

	2005 KShs'million	2004 KShs'million
Kenya	695	238
Africa	2,671	1,410
Middle East	1,237	289
Europe	1,986	740
	<u>6,589</u>	<u>2,677</u>

Net assets

Geographical analysis of net assets:

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

(b) Secondary segment information - Business segments

Analysis of turnover per business segments

	2005 KShs'million	2004 KShs'million
Passengers	35,182	25,772
Freight and mail	4,019	2,684
Handling	900	903
Others	2,133	1,625
	<u>42,234</u>	<u>30,984</u>

Analysis of operating profit per business segments

Passengers	5,550	2,555
Freight, mail and others	1,039	122
	<u>6,589</u>	<u>2,677</u>

Analysis of net assets per business segments

Passengers	10,270	7,887
Freight, mail and others	2,059	533
	<u>12,329</u>	<u>8,420</u>

4 ANALYSIS OF OPERATING EXPENDITURE

(a) Direct expenditure

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Aircraft fuel and oil	8,446	5,187	8,446	5,104
Hire of aircraft and engines	3,628	3,302	3,628	3,129
Aircraft landing, handling and navigation	4,591	3,665	4,591	3,690
Aircraft maintenance	2,817	2,212	2,817	2,072
Passenger services	2,490	2,130	2,490	2,120
Commissions on sales	2,958	2,056	2,958	2,145
Aircraft, passengers and cargo insurance	406	307	406	312
Depreciation on aircraft, engines and ground service equipment	1,213	824	1,213	775
Depreciation on rotables and other equipment	88	18	88	9
Crew route expenses	944	737	944	733
Central reservation system (net) and frequent flyer programme	933	864	933	857
Others	551	699	68	14
	29,065	22,001	28,582	20,960

(b) Overheads

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
<i>Administration</i>				
Employee costs (note 4(c))	3,910	3,558	3,866	3,249
Legal and professional fees	139	137	137	125
Directors remuneration	102	91	72	63
Audit fees	9	10	9	8
General expenses	1,294	1,511	1,292	1,314
	5,454	5,307	5,376	4,759
<i>Establishment</i>				
General maintenance and supplies	454	335	441	320
Depreciation of buildings and vehicles	397	358	372	326
	851	693	813	646
<i>Selling</i>				
Advertising and publicity	261	269	258	262
Provision for doubtful debts	14	37	9	37
	275	306	267	299
Total overheads	6,580	6,306	6,456	5,704

**Notes to the
Financial
Statements**

(c) Employee costs and numbers

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

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
<i>Numbers</i>				
Kenya	2,926	2,729	2,015	1,767
Overseas	296	248	296	248
	3,222	2,977	2,311	2,015

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
<i>Costs</i>				
Wages and salaries	2,952	2,381	2,919	2,265
Contributions to pension	202	128	202	115
Others	756	1,049	745	869
	3,910	3,558	3,866	3,249

5 FINANCE COSTS (NET)

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Interest receivable on deposits	69	51	69	50
Foreign currency (loss)/gain	(372)	(151)	(370)	(132)
Interest payable on long term borrowings	(844)	(559)	(844)	(523)
Overdraft interest	(45)	(2)	(45)	(2)
Aircraft purchase subsidy	50	-	50	-
	(1,142)	(661)	(1,140)	(607)

6 TAXATION

(a) Income statement

Current tax charge	1,112	518	1,012	498
Deferred tax charge (Note 21)	533	255	620	195
Tax charge	1,645	773	1,632	693

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
(b) Balance sheet				
Balance as at 1 April	205	(279)	233	(260)
Charge for the year	1,112	518	1,012	498
Paid during the year	(796)	(34)	(765)	(5)
Tax payable	521	205	480	233

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

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Accounting profit before taxation	5,520	2,075	4,652	2,142
Tax at applicable rate of 30%	1,657	623	1,396	643
Tax effect of (expenses not deductible for tax)/non taxable income	(11)	157	182	58
Losses carried forward and capital allowances	-	(7)	-	(8)
Prior year deferred tax (overprovision)/underprovision	(1)		54	
Current tax charge	1,645	773	1,632	693

7 EARNINGS PER SHARE

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

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Net profit attributable to Shareholders (KShs'million)	3,882	1,302	3,020	1,449
Weighted average number of ordinary Shares (million)	462	462	462	462
Basic earnings per share (KShs)	8.40	2.82	6.54	3.14

The basic and diluted earnings per share are the same as there were no potentially dilutive shares outstanding at 31 March 2005 or 31 March 2004.

8 DIVIDENDS

	GROUP & COMPANY	
	2005 KShs'million	2004 KShs'million
Final dividends - proposed	577	346
Total dividends	577	346
Dividends per share	Sh 1.25	Sh 0.75

- (i) A final dividend of Sh 1.25 per ordinary share (totalling Shs 577 million) has been proposed and the amount has been shown as a separate component of equity as at 31 March 2005. The dividend proposal will be presented for formal approval at the Annual General Meeting.

The movement in the proposed dividends account, which has been shown as a separate component of equity, is as analysed below:

	GROUP & COMPANY	
	2005 KShs'million	2004 KShs'million
Balance brought forward	346	231
Final dividends proposed in the year and charged to reserves	577	346
Previous years proposed dividend approved and paid	(346)	(231)
Balance carried forward	577	346

- (ii) Dividend per Share is arrived at by dividing the dividends payable by the number of shares in issue at the balance sheet date.

9 PROPERTY, PLANT AND EQUIPMENT

(a) GROUP	Freehold land and buildings KShs'million	Aircraft and engines KShs'million	Vehicles and ground Service equipment KShs'million	Total KShs'million
COST				
At 1 April 2004	1,402	14,726	4,630	20,758
Additions	607	11,069	685	12,361
Disposals	-	-	(91)	(91)
At 31 March 2005	2,009	25,795	5,224	33,028
DEPRECIATION				
At 1 April 2004	188	2,739	2,564	5,491
Charge for the year	21	1,213	520	1,754
Eliminated on disposal	-	-	(25)	(25)
At 31 March 2005	209	3,952	3,059	7,220
NET BOOK VALUE				
At 31 March 2005	1,800	21,843	2,165	25,808
At 31 March 2004	1,214	11,987	2,066	15,267

9 PROPERTY, PLANT AND EQUIPMENT

(b) COMPANY

	Freehold land and buildings KShs'million	Aircraft and engines KShs'million	Vehicles and ground Service equipment KShs'million	Total KShs'million
COST				
At 1 April 2004	872	13,976	3,626	18,474
Transfer from subsidiary	-	749	17	766
Additions	607	11,069	685	12,361
Disposals	-	-	(88)	(88)
At 31 March 2005	1,479	25,794	4,240	31,513
DEPRECIATION				
At 1 April 2004	114	2,517	1,776	4,407
Transfer from subsidiary	-	223	9	232
Charge for the year	8	1,213	417	1,638
Eliminated on disposal	-	-	(22)	(22)
At 31 March 2005	122	3,953	2,180	6,255
NET BOOK VALUE				
At 31 March 2005	1,357	21,841	2,060	25,258
At 31 March 2004	758	11,459	1,850	14,067

The transfer from subsidiary relates to assets previously owned by a wholly owned subsidiary, Flamingo Airlines limited, following the transfer of the subsidiary's operations to Kenya Airways Limited.

10 INTANGIBLE ASSETS – COMPUTER SOFTWARE

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
<i>Cost</i>				
At 1 April	225	251	191	185
Additions for the year	-	7	-	6
Disposals	-	(33)	-	-
At 31 March	225	225	191	191
<i>Amortisation</i>				
At 1 April	114	78	85	52
Amortisation for the year	37	44	34	33
Eliminated on disposal	-	(8)	-	-
At 31 March	151	114	119	85
Net book value	74	111	72	106

This represents costs related to the acquisition of computer software and expenditure incurred towards enhancing and extending the benefits and lives of computer software programs beyond their original specifications.

11 PREPAID LEASE RENTALS

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
<i>Cost</i>				
At 1 April and 31 March	30	30	29	29
<i>Amortisation</i>				
At 1 April	3	2	3	2
Amortisation during the year	1	1	1	1
At 31 March	4	3	4	3
Net book value	26	27	25	26

Prepaid lease rentals relates to the cost incurred to acquire leasehold land. The cost is included in the financial statements as a longterm prepayment which is amortised in the income statement on a straight line basis over the lease period.

12 INVESTMENTS

(a) Investment in subsidiaries

Details of investment	Country of incorporation	Activity	% of Equity interest	2005 KShs' million	2004 KShs' million
Kenya Airfreight Handling Limited (1,000 shares of KShs 20 each)	Kenya	Cargo and passenger handling	100%	*	*
Flamingo Airlines Limited (5,000 shares of KShs 20 each) Kenya	Dormant		100%	*	*
KQ Leasing (No 1) Limited (2 shares of GBP 1 each) United Kingdom	Dormant		100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Cargo sales agents	100%	19	19
African Cargo Handling Limited (5,753,822 shares of KShs 100 each)	Kenya	Cargo handling	100%	384	384
At 31 March				403	403

* - Amounts less than KShs one million.

(b) Closure of subsidiary operations

During the year, the operations of a subsidiary, Flamingo Airlines Limited, were transferred to Kenya Airways Limited under a group restructuring programme. Consequently, the subsidiary's shareholders' deficit has been charged to the income statement. Flamingo Airlines Limited remained dormant during the year ended 31 March 2005 and made no profit or loss.

(c) Investment in associated companies

	COMPANY	
	2005 KShs'million	2004 KShs'million
(i) African Tours and Hotels Limited (100,398 ordinary shares of KShs 20 each)	2	2
Less: Provision for diminution in value	(2)	(2)
At 31 March	-	-

(c) Investment in associated companies (Continued)

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

	GROUP & COMPANY	
	2005 KShs'million	2004 KShs'million
(ii) Precision Air Services Limited		
At 1 April	31	94
Share of net results of associated company	19	(63)
At 31 March	50	31

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

(d) Other investments

The company holds 9 (2004 – 9) shares in SITA S.C loyalty programme. This was a cost free investment with no corresponding value in the financial statements.

13 DEPOSITS

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Deposits for aircraft leases under long-term operating leases	37	54	37	54
Deposits towards acquisition of aircraft	7,260	7,418	7,260	7,418
Maintenance deposits	5	-	5	-
At 31 March	7,302	7,472	7,302	7,472

The deposits under long-term operating leases relate to expired long-term leases for two Airbus-310 aircraft.

The deposits for acquisition of aircrafts represent amounts paid to Boeing towards acquisition of two Boeing 777-200 aircraft scheduled for delivery between April 2005 and June 2005.

14 GOODWILL

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
<i>Cost</i>				
At 1 April	-	(79)	57	-
Additions	-	(8)	-	57
Write back of goodwill	-	87		-
At 31 March	-	-	57	57
<i>Amortisation</i>				
At 1 April	-	38	12	-
Charge for the year	-	-	11	12
Writeback of amortisation on reversal of goodwill	-	(38)		-
At 31 March	-	-	23	12
Net book value	-	-	34	45

The goodwill relates to purchase of an equity interest in Precision Air Services Limited.

15 INVENTORIES

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Aircraft consumables inventories	738	692	738	675
Other inventories	158	167	158	135
	896	859	896	810

16 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Trade - Airlines	922	688	896	606
Trade - Agents	2,018	1,498	2,015	1,290
Trade - Others	675	458	675	452
Trade - Government ministries and parastatals	11	20	11	20
Prepayments	409	454	405	450
Staff receivables	18	14	18	13
Other receivables	81	93	77	92
	4,134	3,225	4,097	2,923

17 CASH AND CASH EQUIVALENTS

(a) Balance sheet

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Cash in hand and at bank	3,115	1,935	2,982	1,675
Short-term deposits	3,194	338	3,194	338
	6,309	2,273	6,176	2,013

Included in cash in hand and at bank is an amount of KShs 184 million (2004- KShs 197 Million) which represents cash balances held with banks in Seychelles which cannot be repatriated due to foreign exchange scarcity and foreign exchange transfer restrictions in that country. The company has reached an agreement with the Seychelles Government to be allowed to utilise the funds to settle certain expenses incurred in that country.

17 CASH AND CASH EQUIVALENTS

(b) Cash flow statement

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

	GROUP	
	2005	2004
	KShs'million	KShs'million
Cash in hand and at bank and short term deposits	6,309	2,273

Short term deposits have an average maturity of 30 to 90 days and effective interest rates of 0.50% to 12% (2004 – 0.5% to 12%) depending on the country where the deposit has been placed.

18 SHARE CAPITAL

	GROUP & COMPANY	
	2005	2004
	KShs'million	KShs'million
Authorised:		
1,000,000,000 ordinary shares of Shs 5 each	5,000	5,000
Issued and fully paid:		
461,615,484 ordinary shares of Shs 5 each	2,308	2,308

19 MINORITY INTEREST

	GROUP	
	2005	2004
	KShs'million	KShs'million
At beginning of the year	18	30
Share of loss for the year	(7)	-
Write off of minority interest on increase in investment in Kencargo Airlines International	-	(12)
At end of the year	11	18

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

	Average interest rates	Maturities	US dollars million	GROUP & COMPANY	
				2005 KShs'million	2004 KShs'million
PEFCO Aircraft Loans	6.6%	1997 – 2011	53,018	4,027	4,809
Barclays Bank PLC Aircraft Loans	4.5%	2002 – 2016	177,184	13,457	4,806
Barclays Capital Predelivery Loans	3.9%	2003 – 2005	11,711	889	1,794
			241,913	18,373	11,409

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

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

During the year, the company secured an additional loan of USD 126.9 million (KShs 9.9 billion) from Barclays Bank PLC to finance the purchase of an aircraft B777-200 registration 5Y-KQU. The loan is payable in successive quarterly principal instalments over a period of 12 years and attracts interest at a fixed rate of 4.5% per annum. The loan facility is guaranteed by the Export-Import Bank of the United States of America (Eximbank). The facility is secured through a charge over the financed aircraft.

The company also obtained loans totalling USD 15.2 million (KShs 1.2 billion) from a syndicate of banks led by Barclays Capital and from the International Finance Corporation to fund the pre-delivery deposits payable to Boeing for the purchase of two Boeing 777-200ERs due for delivery in April and June 2005. The loans attract interest at a variable rate of LIBOR plus 2.75% and are repayable in full on delivery of the aircraft. The loans are secured by a charge over a subsidiary company's two SAAB 340Bs aircraft and further secured by a charge over the pre-delivery deposits made to Boeing on the Boeing 777-200ERs and to take cession of the purchase contracts in respect of those aircraft.

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

	GROUP & COMPANY	
	2005 KShs'million	2004 KShs'million
Within one year	2,669	2,279
After one year	15,704	9,130
	18,373	11,409

(c) Credit line facilities

The group has multi-currency credit line facilities with a total value of KShs 3,663 million with various local and international banks for tenures of one year renewable. As at 31 March 2005, the group had utilised guarantees amounting to KShs 985 million against these facilities leaving an unutilised balance of KShs 2,678 million.

21 DEFERRED TAX

The net deferred tax liability at the year end is attributable to the following items.

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Accelerated capital allowances	3,013	2,315	3,055	2,277
Leave pay provisions	(201)	(154)	(199)	(152)
Tax losses carried forward	-	(1)	-	-
Stock provisions	(14)	(14)	(14)	(14)
Unrealised exchange gain	(148)	(37)	(148)	(37)
Other provisions	(24)	(16)	(20)	(20)
Hedged reserve	160	-	160	-
	2,786	2,093	2,834	2,054

The movement in the deferred taxation liability is explained by the following:

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Balance at beginning of year	2,093	1,838	2,054	1,859
Income statement charge (note 6(a))	533	255	620	195
Deferred tax dealt with in equity	160	-	160	-
Balance at the end of year	2,786	2,093	2,834	2,054

22 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Trade payables	2,107	1,681	2,096	1,648
Other payables and accruals	3,442	2,645	3,353	2,430
	5,549	4,326	5,449	4,078

23 ACCRUALS FOR STAFF LEAVE ENTITLEMENTS

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
As at 1 April	513	499	506	406
Leave entitlement for the year	183	215	147	204
Amounts utilised during the year	(26)	(201)	-	(104)
At 31 March	670	513	653	506

24 RECONCILIATION OF OPERATING PROFIT TO
CASH GENERATED FROM OPERATIONS

	GROUP	
	2005 KShs'million	2004 KShs'million
Operating profit	6,589	2,677
Adjustments for:		
Depreciation	1,754	1,224
Amortisation for intangible assets	37	44
Amortisation of prepaid lease rentals	1	1
Aircraft purchase subsidy	(50)	-
Other income	54	122
Write back of negative goodwill	-	(41)
Net (gain)/loss on disposal of property, equipment and investment	(18)	4
Exchange loss	(372)	(151)
Write off relating to minority interest	(7)	(12)
Operating profit before working capital changes	7,988	3,868
(Increase)/decrease in inventories	(37)	50
(Increase) in trade and other receivables	(909)	(329)
Increase in sales in advance of carriage	1,051	363
Increase in payables and accruals	1,380	612
Increase in deferred income	1,245	-
Movement in related party balances	(217)	4
Cash generated from operations	10,501	4,568

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

KLM Royal Dutch Airlines

KLM holds 26% equity interest in Kenya Airways Limited, and has a 'joint venture arrangement' with Kenya Airways 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.

As is common throughout the airline industry, Kenya Airways and KLM Royal Dutch Airlines 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 both airlines are members.

Balances outstanding on account of transactions with related parties were as follows as at 31 March:

(a) Amounts due from related companies

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
Flemingo Airlines Limited	-	-	-	1,066
Kenya Airfreight Handling Limited	-	-	268	105
Kencargo Airlines International	-	-	92	328
Precision Air Services Limited	217	7	217	7
KLM Royal Dutch Airlines	4	3	2	-
Martinair Holland NV	2	4	-	-
	223	14	579	1,506

(b) Amounts due to related companies

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
African Cargo Handling Limited		-	661	-
Kenya Airfreight Handling Limited			374	-
Kencargo Airlines International		-		397
KLM Royal Dutch Airlines	1	6	-	-
Martinair Holland NV	9	12	-	-
	10	18	1,035	397

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. Amounts due from Kencargo Airlines International Limited (KAIL) represent cargo sales made by KAIL on behalf of Kenya Airways Limited and Subsidiaries, net of commissions. The amounts due to African Cargo Handling Limited represents funds transferred to the parent company for investment.

(c) Other related parties

The group has transactions with related parties, which are conducted in the normal course of airline business. These include the provision of airline and related services.

(d) Directors' remuneration

	GROUP		COMPANY	
	2005 KShs'million	2004 KShs'million	2005 KShs'million	2004 KShs'million
As executives	94	106	64	58
As non executives	8	6	8	5
	102	112	72	63

(e) Advances to employees – The Group

At 31 March 2005, balances outstanding in respect of advances to employees amounted to KShs 27 Million (2004 – KShs 22 Million). The group has issued guarantees to a bank to secure facilities to employees amounting to KShs 90 Million (2004 – KShs 90 Million).

26 CAPITAL EXPENDITURE COMMITMENTS

As at 31 March 2005 the company had purchase commitments for aircraft fleet and equipment incidental to the ordinary course of business as follows:

	GROUP	
	2005 KShs'million	2004 KShs'million
Authorised and contracted for	19,389	28,835
Authorised but not contracted for	1,039	2,684
	20,428	31,519

The commitments authorised and contracted for include the purchase of two Boeing 777-200 aircraft with a value of KShs 18.8 billion, due for delivery in April 2005 and June 2005 respectively. One Boeing 777-200 with a value of approximately KShs 9.4 billion was delivered after the year end on 24 April 2005.

27 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	
	2005 KShs'million	2004 KShs'million
Within one year	3,650	3,064
After one year but not more than five years	8,013	7,775
	11,663	10,839

The 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.

28 CONTINGENCIES

(a) Contingent liabilities

In the ordinary course of business, the group has given guarantees to a bank in favour of third parties amounting to KShs 500 Million (2004 – KShs 551 Million). In the opinion of the directors, no liability is expected to crystallise in respect of the guarantees.

(b) Litigation

- (i) A claim for KShs 27,123,583 in damages for alleged breach of contract relating to a lease for a B707 aircraft was filed against the company in 1981. The high court dismissed the claim in May 2000. The plaintiff's appeal to have the judgement set aside is pending determination by the court.
- (ii) The High court ruled against Kenya Airways in a case, Tobias Ouma & Others Vs Kenya Airways, but rejected the plaintiff's quantification of the damages at KShs 2.6 billion (for loss of service of all 960 ex-staff up to retirement) and instead awarded damages for an unspecified amount. The plaintiff's have since reduced their claim to KShs 880 million. The company has filed an appeal against the ruling but the appeal has not yet been determined. The advice from external lawyers is that there are good prospects of succeeding on appeal. No provision has been made in the financial statements for these amounts as the directors are of the view that the appeal has a high probability of success.
- (iii) A bankruptcy petition filed by the company against Captain Musa Bulhan to recover a debt of KShs 52 million is pending determination by the high court.
- (iv) African Airlines International has filed a claim against the company for an amount of US\$ 2,460,866 (KShs 191 million) allegedly due to them on account of aircraft maintenance and lease services rendered to the company. While the plaintiff's claim is yet to be determined by the high court, the company has been successful in its counter claim of KShs 38 million, owed to the company for services rendered.

- (v) The Industrial Court, in a case filed by Kenya Airlines Pilots Association (KALPA), awarded a total of KShs 50 million to 11 ex-flight engineers allegedly for the company failing to arrange for them to undertake a final check upon being declared redundant by the Industrial Court in 1993. The company has challenged the award in the High Court on the excess of jurisdiction by the Industrial Court. The appeal has not been determined.
- (vi) 32 employees filed a dispute in the Industrial Court for wrongful dismissal in connection with allegations of involvement in illicit trafficking of narcotics. They took out proceedings against the company for defamation on the same matter. The industrial court dispute has been determined whilst the defamation matter is pending before the high court.
- (vii) A former employee of the company has filed a case in the high court for wrongful dismissal claiming damages totalling Shs 65 million which represent alleged loss of employment benefits up to retirement.
- (viii) Eagle Aviation, a debtor of Kenya Airways, was placed under receivership by a bank for defaulting on secured borrowings. At the time, Kenya Airways had sued Eagle Aviation for debts amounting to US\$ 627,763 on account of unpaid aircraft maintenance charges and also due under the franchise agreement for operating a number of domestic routes on behalf of Kenya Airways. The franchise agreement was terminated by Kenya Airways in July 2000 and Flamingo Airlines launched to operate on these routes.

Kenya Airways sued Eagle Aviation seeking a declaration that it had a contractual lien over the planes which Eagle Aviation had leased from two other parties, Jana Leasing Limited and Gie Avios De Transport Re'gional. Kenya Airways also sought an injunction to restrain the removal of the planes from Kenya, as they constituted the only assets known to be associated with Eagle Aviation. The receiver of Eagle Aviation and the owners of the aircraft have challenged Kenya Airways entitlement to the lien. The suit against Jana Leasing and Gie Avios De Transport Re'gional has been settled. The suit against Eagle Aviation Limited is still pending.

- (ix) In the ordinary course of business, the company and its subsidiaries are defendants or co-defendants in various litigations and claims. Although there can be no absolute assurances, the directors believe, based on information currently available, that the ultimate resolution of these legal proceedings is not likely to have a material adverse effect on the results of its operations, financial position or liquidity. These court cases may take a considerable period to be determined because of the congested court diary.

29 FINANCIAL RISK MANAGEMENT

- (a) Interest rate risk

The company's exposure to market risk due to changes in interest rates primarily relates to its long term borrowings obligations and cash portfolio. Market risk associated with the company's longterm debt relates to potential increase in interest expense on the variable rate borrowings.

Most of the group's debt is asset related, reflecting the capital intensive nature of the airline industry. At 31 March 2005, approximately 95.2% of the group's borrowings were at fixed rates of interest and 4.8% were at floating rates.

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

(b) Foreign currency risk

The company is exposed to foreign exchange risk because it has revenues and expenses denominated in foreign currency. Majority of the revenue earned by the Kenya Airways is denominated in hard and convertible currencies.

(c) Credit risk

The company'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 company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the treasury policies and objectives of the group 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.

(d) Fuel price risk

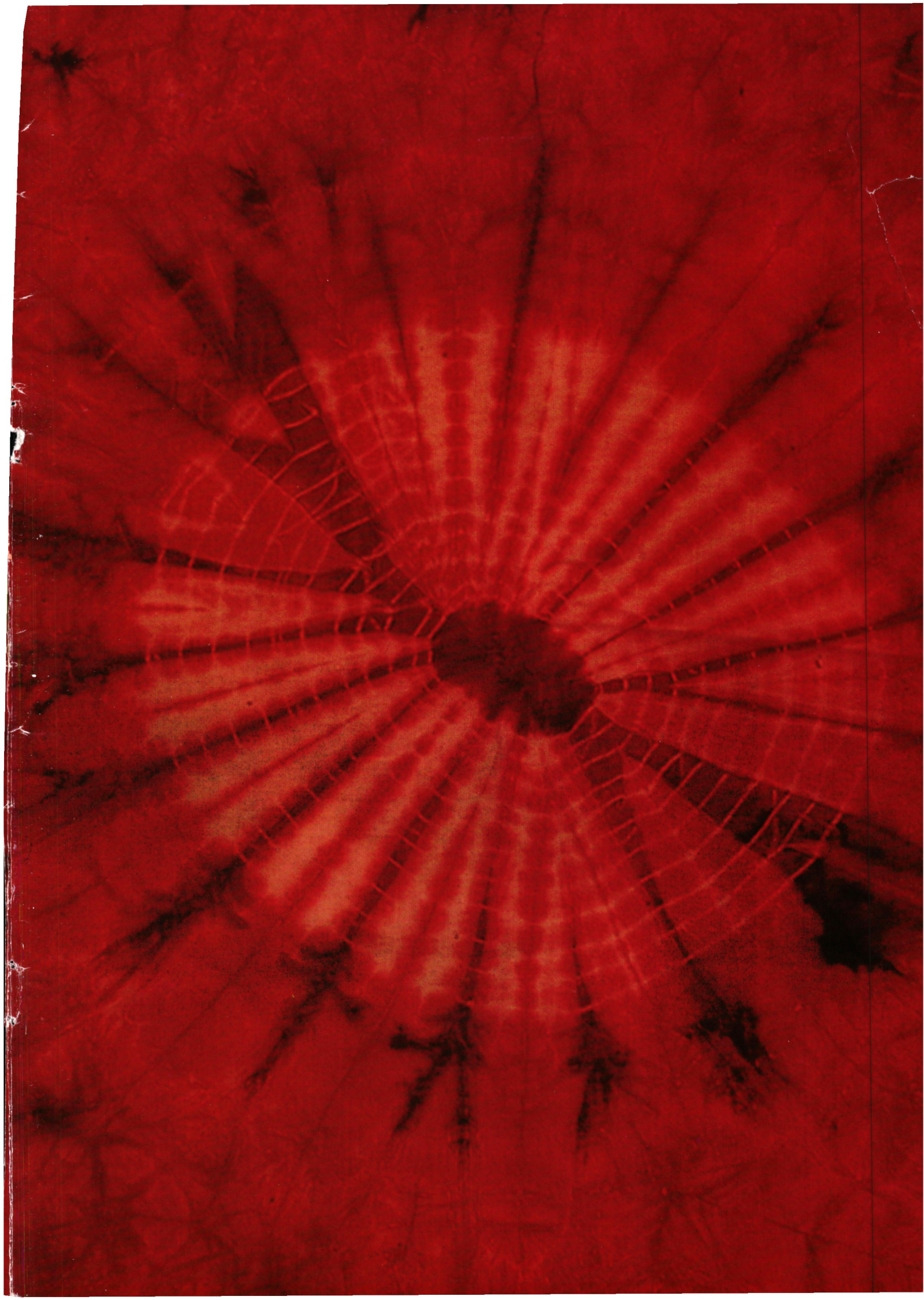
The company's fuel risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices while ensuring that the airline is not disadvantaged in the event of substantial fall in fuel prices. In meeting this objective, the company has used fuel options within approved limits and with approved counterparties. There were no derivative financial instruments held to manage fuel price risk at 31 March 2005. However, since then, the company has entered into a fuel swap contract for 75% of its anticipated fuel requirements for the period 1 June 2005 to 31 August 2005.

30 CURRENCY

The financial statements are presented in Kenya Shillings Millions.

Available Seat Kilometers (ASK)	The number of seats multiplied by the distance flown.
Revenue Passenger Kilometers (RPK)	The number of revenue passengers carried multiplied by the distance flown.
Cabin Factor %	RPK expressed as a percentage of ASK
Interest Cover payable.	The number of times profit before taxation and net interest payable covers the net interest payable.
Operating Margin %	Operating profit/ (loss) as a percentage of turnover.
EBITDAR Margin %	Earnings before interest, tax, depreciation, amortization and rentals.
Debt/Equity ratio	Net debt as a ratio of total equity.

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