

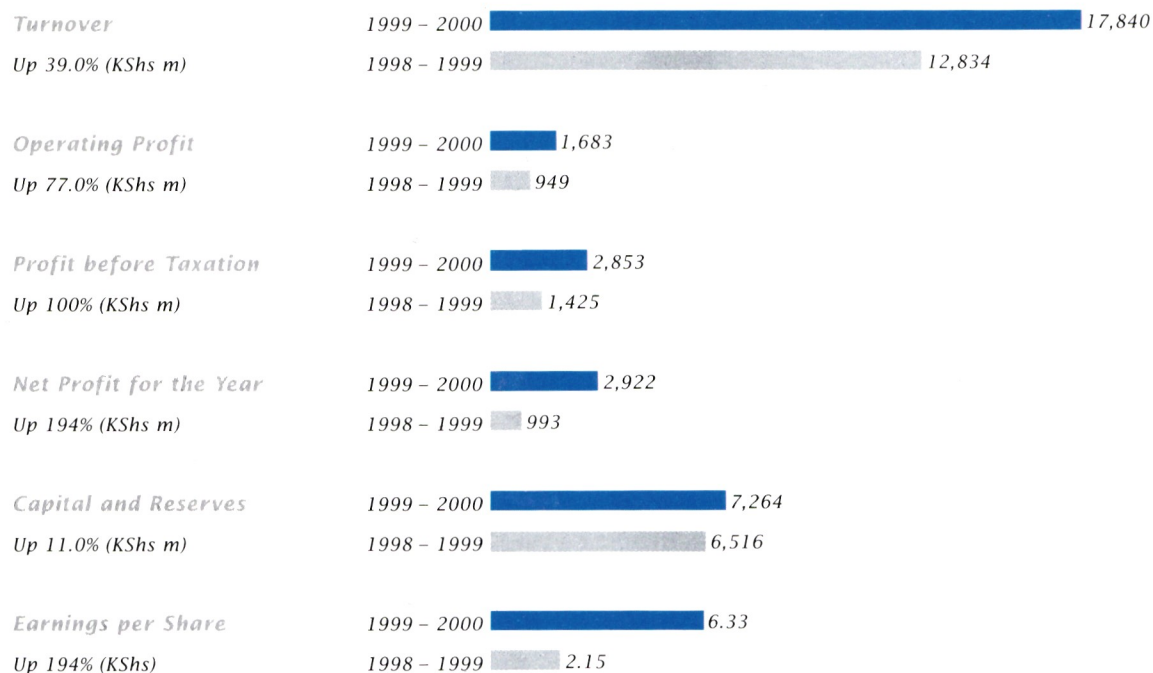
Annual Report & Accounts 1999/2000



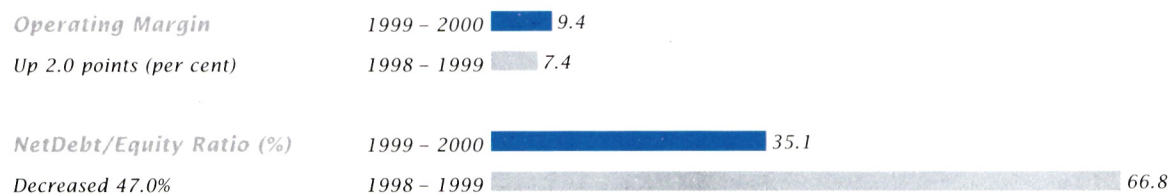
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Highlights of the year

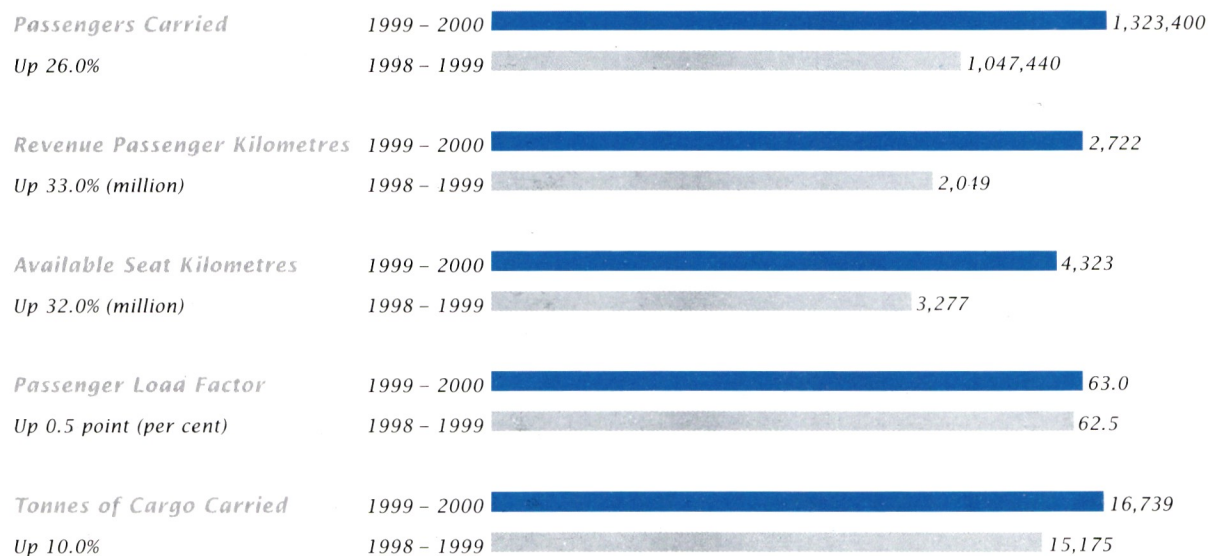
Group Results



Key Financial Statistics



Operating Statistics



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KENYA NATIONAL ASSEMBLY

Accession: 10013417

Call No: 657-3KA1



Notice of Annual General Meeting for 2000

Notice is hereby given that the 24th Annual General Meeting of the Company will be held at the Kenya Airways Headquarters, North Airport Road, Embakasi on Friday 22nd September 2000 at 11.00 a.m. for the following purposes:-

1. To read the Notice convening the Meeting.
2. To consider the Audited Balance Sheet and Accounts for the year ended 31 March 2000 together with the Directors and Auditors Report thereon.
3. To confirm payment of the interim dividend of KShs 0.50 per share and to approve payment of a final dividend of KShs 0.75 per share making a total dividend for the year of KShs 1.25 on the ordinary share capital payable on or about 10th October 2000 to shareholders registered at the close of business on 31st July 2000.
4. To elect Directors:
 - i) Mr I E Omolo Okero, having attained the age of 71 years, who retires by rotation, and being eligible by virtue of a special notice given under section 186(5) of the Companies Act, offers himself for re-election pursuant to the following ordinary resolution of the company: THAT Mr I E Omolo Okero, having attained the age of 71 years, be and is hereby re-elected a director of the Company.
 - ii) Mr Dinesh Kapila, who retires by rotation and being eligible, offers himself for re-election.
5. To approve the remuneration of the Directors.
6. To authorise the Directors to fix the remuneration of the Auditors.

By order of the Board

L G Kamau

General Counsel & Company Secretary

P O Box 19002

Nairobi

Date: 28th August 2000

Notes:

1. Any member may by notice duly signed by him or her deliver to the Secretary not less than 7 and not more than 21 days before the day appointed for the Annual General Meeting propose any other person for election to the Board, such notice to be accompanied by a notice signed by the person proposed of his or her willingness to be elected.
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 by the member and must either be lodged at the offices of the company's share registrars, Barclays Advisory & Registrar Services, Mezzanine 3, Barclays Plaza, Loita Street, P O Box 30120, Nairobi or be posted, so as to reach Barclays Advisory & Registrar Services not later than 11.00 a.m. on 21st September 2000.

Tangazo la Mkutano Mkuu wa Mwaka 2000

Hii ni taarifa ya kuwajulisha ya kwamba mkutano mkuu wa 24 wa kila mwaka utafanyika katika makao makuu ya Kenya Airways, barabara ya Airport North, huko Embakasi. Mkutano huo utafanyika tarehe 22 Septemba 2000 kuanzia saa tano mchana. Mkutano huu ni kwa minajili ya:

- 1) Kusomwa kwa taarifa ya kuita rasmi mkutano.
- 2) Kutilia maanani mizania na hesabu zilizokaguliwa hadi kufikia mwisho wa mwaka uliofika tamati tarehe 31 Machi, 2000 pamoja na ripoti ya wakurugenzi na ripoti ya wakaguzi wa hesabu.
- 3) Kudhibitisha malipo ya mgao wa awali wa shilingi 0.50 (au senti hamsini) kwa kila hisa na pia kuthibitisha malipo ya kiwango cha mwisho cha mgao. Kiwango hicho ni shilingi 0.75 (au senti sabini na tano) kwa kila hisa. Kwa jumla kiwango cha mgao ni shilingi 1.25 (shilingi moja na senti ishirini na tano) kwa hisa ya kawaida ambayo malipo yake yatakuwa tayari kufikia tarehe 10 Oktoba 2000 kwa wamiliki wa hisa. Wamiliki hisa hao ni wale ambao walikuwa tayari wamesajilishwa katika daftari ya mwenyehisa kufikia kufunga biashara kunako tarhe 31 Julai mwaka 2000.
- 4) Uchaguzi wa Wakurugenzi.
 - i) Bwana I.E. Omolo Okero ambaye ametimia miaka 71 ambaye anajiuzulu kwa mzunguko amejitolea tena kuchaguliwa. Hii ni kwa mujibu wa kifungu cha 186(5) cha sheria ya makampuni ambacho kinasema kwamba: 'Bwana I.E. Omolo Okero ambaye ametimia miaka 71 amechaguliwa kama Mkurugenzi wa kampuni.'
 - ii) Bwana Dinesh Kapila, ambaye pia anajiuzulu kwa mzunguko na ambaye pia anafuzu kuchaguliwa, amejitolea kuchaguliwa tena.
5. Kuunga mkono kutuzwa kwa Wakurugenzi.
6. Kuwapa ruhusa Wakurugenzi ili kuratibu malipo ya wakaguzi wa hesabu.

Kwa amri ya Halmashauri

L G Kamau

Mshauri Mkuu na Katibu Shirika

P O Box 19002

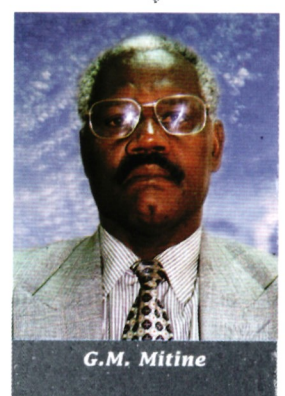
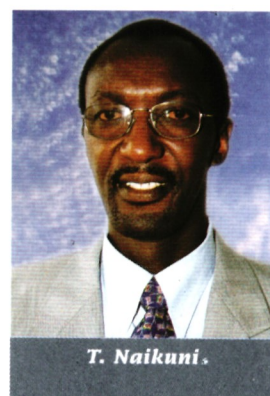
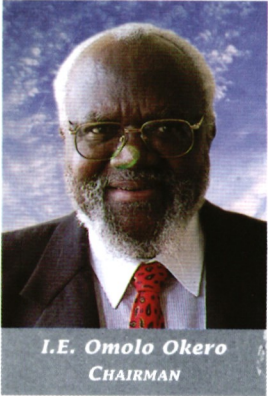
Nairobi

Tarehe: 28th August 2000

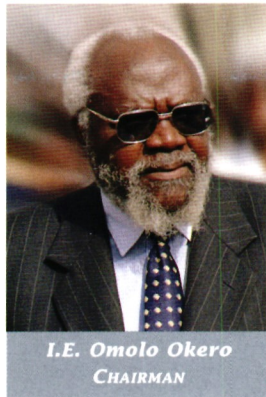
Vidokezo

1. Mwanachama yeyote ambaye kwa mujibu wa taarifa yake ya hiari iliyokabithiwa kwa Katibu kwa muda usiopungua siku saba (7) au kuzidi siku ishirini na moja (21) kabla ya kutangazwa rasmi mkutano Mkuu, anaweza kupendekeza mwanachama mwingine ili kuchaguliwa na kujiunga na halmashauri. Taarifa hii ni sharti iambatane na taarifa iliyotiwa sahihi na mwanachama aliyependekezwa ili kudhibitisha hiari yake ya kuchaguliwa.
2. Mwanachama aliyeidhinishwa kushiriki na kupiga kura katika mkutano na ambaye hawezi kuhudhuria kwa sababu zisizoweza kuepukika, anaweza kumchagua mwakilishi atayepiga kura badala yake. Mwakilishi huyu si lazima awe mwanachama wa shirika. Ili kuidhinishwa kushiriki, kuna fomu ya mwakilishi ambayo ni lazima iambatane na tarifa hii, iwe imejazwa na mwanachama. Fomu hizi ni lazima aitha ziwasilishwe ofisini kwa msajili wa wenye hisa yaani kituo cha Barclays Advisory & Registrar Services, Mezzanine 3 katika jumba la Barclays Plaza, barabara ya Loita. Au unaweza kuzituma ukitumia Sanduku la Posta 30120 Nairobi ili ziweze kufika kwenye kituo hicho kabla/au saa tano mchana, tarehe 21 Septemba 2000.

Board of Directors



Chairman's Statement



I am delighted to report that 1999/2000 was the most successful year so far in the history of Kenya Airways Limited.

Following an extensive review of future needs, we embarked on a fleet modernisation and expansion programme that is well on course. We also added new routes and new destinations to our schedule and increased frequencies on existing routes.

A critical appraisal of our company structure has resulted in an internal reorganisation process that will ensure that we have competent and dedicated people in the right positions, and that they are equipped with the skills necessary to help us achieve our vision of becoming a world class network airline.

We continue to pursue our strategy to position Nairobi as the premier regional hub for traffic into and out of the continent. Although our efforts have began yielding some fruit, realisation of JKIA's full potential as a regional hub will require greater collaborative effort between Kenya Airways Limited, the Kenya Airports Authority (KAA) and other stakeholders.

We are working closely with the KAA to upgrade and refurbish the existing facilities to the highest international standards. In addition, a substantial investment in the training and development of frontline personnel will be necessary.

Our partnership with KLM was deepened further during the year, with the opening of joint offices in other stations. We enhanced transfer of technology and know-how in computerised reservations and collaborated in the development of our cargo business. This partnership continues to provide a solid cornerstone for our future success.

Traffic feeds to and through our hub in Nairobi has grown substantially and we have been able to enjoy economies of scale in aspects such as insurance and fuel purchases. Overall, we are looking beyond the present frontiers, and are seeking new alliances in Africa and elsewhere.

Notwithstanding our past success, during the year under review, we were unfortunate. I refer to the loss of 5Y-BEN off the coast of Abidjan on 30th January 2000. Our hearts reach out to all those who lost their loved ones in this tragedy. On behalf of the Board, I would like to express sincere appreciation to our management and the entire staff of Kenya Airways Limited for their sterling efforts in attending to the welfare and comfort of the bereaved and ensuring that they received the most up to date information about the accident.

We acknowledge with great appreciation the personal support we received from His Excellency the President of Kenya and his Government. We further wish to record our thanks for the support we received from the

Ministry of Information, Transport and Communications and the Kenya Navy. The support of our partner KLM was invaluable. We are also indebted to the governments of Cote d'Ivoire and the Republic of Nigeria for their support and understanding. We record our appreciation for the support of hundreds of individual volunteers and well wishers who rallied to our cause here at home, in Abidjan, in Lagos and elsewhere.

General Forecast

Kenya's 2000 Economic Survey reveals a continued decline in growth and investments. The anticipated end to the aid embargo though welcome, may not be a panacea in the short term. The poor infrastructure, increasing insecurity, rising costs and the vagaries of weather militate against an early recovery of our economy. Indeed the introduction of electrical power and water rationing cannot but exacerbate an already miserable situation.

The slow recovery of tourism will have an unfavourable impact on both traffic and foreign exchange inflows. While prospects for Kenya's economic recovery are uncertain, Kenya Airways Limited remains cautiously optimistic of continued growth in its business.

Aeropolitical Outlook

During the year under review, air transport liberalisation and globalisation continued both regionally and internationally. It seems that traditional bilateralism will not withstand the pressure of liberalisation for long.

The process of industry consolidation through alliances, partnerships and mergers also picked up momentum in the course of the year and indicates tougher airline trading conditions in the years ahead.

Worldwide, there was an overall decline in industry profitability with a sharp increase in fuel prices adding to our woes. Weak growth in premium traffic and industry wide discounting of fares depressed yields. This caused measures to be put in place to decrease capacity, thereby necessitating layoffs and closures of routes.

Industry Overview

The industry sustained a relatively high rate of volume growth. Scheduled domestic and international traffic increased by 4.1% while over one third of the total value of the world's manufactured exports was transported by air. However, this growth was negated by a sharp increase in jet fuel prices that impacted upon direct operating costs.

Company Performance

During the year under review, we carried a total of 1,323,400 passengers, a 26% increase over the previous year's numbers. Our domestic market grew by 22% while African regional traffic grew by 36% and East/Middle East traffic grew by 23%. Connecting traffic from Europe grew by 18% over the same period while cargo traffic registered a promising 22% growth in volume.



Our turnover increased by 39% to Kshs 17.84 billion, with a 49% growth in passenger sales revenue and a 17% increase in cargo revenue. Notwithstanding the sharp increases in fuel prices that we had to absorb, our operating profit for the year was an impressive 1.683 billion, a 77% increase over 1998/99. Both profits after tax and earnings per share were up by 194%.



I would like to convey the appreciation of the Board to the management for outstanding and exemplary leadership, professionalism, dedication, integrity and foresight. The changes we have implemented in top management over the last year will, I hope, play a decisive role in bringing about a fundamental shift in our work ethics and in promoting and upholding our core corporate values.

Shareholding

At the time of writing, the company's shareholding comprised 94,152 members. This is made up of 3,199 Kenyan institutional investors with 39.92% of the shareholding, 90,861 individual Kenyan shareholders with 29.10%, 16 foreign institutional investors with 30.88% and 76 individual foreign investors with 0.10% of the company's shareholding.

Dividend

The directors recommend the payment of a final dividend of Kshs 0.75 per share which together with the interim dividend of Kshs 0.50 per share already paid, brings the total dividends declared for the year to Kshs 1.25 per share.

Directors

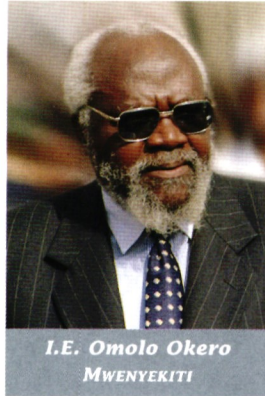
The members of the Board who served during the year are shown in the report on the directors on page 17. Mr. S. Murage and Ms. M. Chemengich retired from the Board on 1.9.1999. The directors thank them for their invaluable contributions and welcome Mr. M.L. Oduor Otieno and Mr. Titus Naikuni who joined our Board on 1.10.1999.

Mr. I.E. Omolo Okero, having attained the age of 71 years, retires by rotation, and being eligible by virtue of a special notice given under section 186(5) of the Companies Act, offers himself for re-election pursuant to an ordinary resolution of the company.

Mr. Dinesh Kapila, also retires by rotation and being eligible, offers himself for re-election.

I.E. Omolo Okero

Chairman



Ni furaha kuu kuwajulisha ya kwamba katika historia ya shirika la ndege la Kenya Airways Limited, mwaka wa 1999/2000 ndiyo umekuwa wenye mafanikio makubwa zaidi.

Kufuatia uchunguzi wa kufana wa mahitaji yetu ya siku za usoni, tumebuni uboreshaji wa ndege zetu na pia utaratibu wa upanuzi unaendelea bila matatizo. Safari na vituo vipya vimeongezwa katika utaratibu wetu na idadi ya safari katika sehemu za safari zilizowanawiri pia zimeongezeka.

Urekebishaji stadi wa mpangilio wa kampuni yetu umeleta mfumo mpya ambao utahakikisha kwamba wafanyi kazi waliojitolea wamepata nafasi mahsusi. Pia utahakikisha kwamba wafanyi kazi hawa wamepata ujuzi muhimu na unaohitajika ili kutuwezesha kutimiza nia yetu ya kuwa moja kati ya msururu wa kampuni bora ndege za kimataifa.

Tunaendelea kufuata mkakati wetu wa kuufanya mji wa Nairobi kuwa kituo mahsusi cha usafiri nje na ndani ya bara hili, katika eneo hili letu. Ingawa juhudi zetu zimeanza kufua dafu, kutambulika kwa uwanja wa kimataifa wa ndege (JKIA) kama kituo mahsusi cha usafiri katika eneo hili kutategemea sana ushirikiano na juhudi kati ya shirika la ndege Kenya Airways, halmashauri ya vituo vya ndege yaani Kenya Airports Authority na wahusika wengine.

Tunashirikiana bega kwa bega na halmashauri ya viwanja vya ndege nchini KAA, kuboresha na kuzindua vifaa vilivyostawi ili viwe sambamba na viwango vya juu vya kimataifa. Pia kuna muhimu mkuu wa kuweka rasilimali ili kuwapa mafunzo zaidi wafanyakazi na kuendeleza wafanyakazi wa mstari wa mbele.

Ushirikiano wetu na shirika la ndege la KLM ulizidi mwakani kutokana na ufunguzi wa ofisi na kushirikiana katika vituo vingine. Tuliboresha teknolojia na ujuzi katika uhifadhi tikiti kwa kompyuta na kujumuisha teknolojia na ujuzi huo katika biashara yetu ya usafirishaji mizigo. Ushirikiano huu unazidi kutuimarisha, ukiwa kama jiwe la msingi katika ufanisi wetu hapo siku za mbele/usoni.

Safari za ndege kuingia na kutoka katika kituo hiki kikuu cha Nairobi zimeongezeka kwa kiwango kikuu na tumeweza kufurahia uchumi uliofuatia katika maeneo mbali mbali kama vile bima na ununuzi wa mafuta. Kwa jumla tunazidi kuangalia nafasi zaid na viziwi vilivyoko na pia tunatafuta jumuiya nyingine katika bara la Afrika na kwingineko.

Mbali na ufanisi wetu hapo awali, katika mwaka huo huo, tulikumbwa na janga. Hapa ninamaanisha kupotea kwa ndege aina ya 5Y-BEN kwenye ufukwe wa mji wa Abidjan tarehe 30 Januari 2000. Kwa mioyo yetu twatoa pole kwa wote waliopoteza wapendwa wao katika janga hili. Kwa niaba ya halmashauri ya Kenya Airways ningependa kutoa shukrani nyingi kwa wasimamizi na wafanyi kazi wa shirika hili kwa jumla kwa juhudi zao katika kuwahudumia na kuwafaraji jamaa waliofiwa na kuhakikisha ya kuwa walipokea habari za karibuni kuhusu ajali hiyo.

Tunatoa shukrani kuu pia kwa usaidizi wa kibinafsi kutoka kwake Rais wa Jamhuri ya Kenya na serikali yake. Tunazidi kutoa shukrani kwa usaidizi tuliopokea kutoka Wizara ya Habari, Uchukuzi na Mawasiliano, na Jeshi la Wanamaji la Kenya. Usaidizi kutoka kwa washirika wetu KLM ulikuwa wa kufana sana. Pia tunashukuru sana serikali ya nchi ya Cote d'Ivoire na Jamhuri ya Nigeria kwa usaidizi na maelewano waliotupa. Kwa mamia ya watu binafsi waliojitolea na wafariji wote waliojitokeza hapa nyumbani, kule mjini Abidjan na Lagos na sehemu zingine, tunatoa shukrani zetu.

Utabiri kwa Jumla

Mtazamo wa Uchumi wa Kenya katika mwaka wa 2000 unaonyesha kuzorota kwa maendeleo na uwekaji rasilimali. Ingawa tunakaribisha tegemeo la kuisha kwa viziuzi na vikwazo vya misaada kutoka nchi za ng'ambo huenda hilo lisiwe suluhisho la muda mrefu. Uzorotaji wa mawasiliano na uchukuzi, usalama, kuongezeka kwa bei za bidhaa mbali mbali na hali mbaya ya anga kwa jumla, zinakwenda kinyume cha matarajio ya uzinduzi wa haraka wa uchumi wetu. Ama kweli ugawaji umeme na maji umezidi kuathiri hali hiyo mbaya.

Kuzinduka pole kwa biashara ya kitalii kutakuwa ni pigo kubwa kwa usafiri na ubadilishanaji fedha za kigeni kwa pamoja. Wakati matarajio ya uzinduzi wa kiuchumi unavyozidi kudidimia, shirika la Kenya Airways linazidi kujipa moyo wa mafanikio katika kukua kwa biashara yake.

Mtazamo wa Siasa za Anga

Katika mwaka wa 1999/2000, uhuru wa usafiri wa ndege na usambazaji umeendelea katika maeneo ya bara hili na pia kiwango cha kimataifa. Yaelekea ya kuwa mazoea ya ugawanyaji biashara kwa kushirikiana hatutaweza kustahimili uhuru huu kwa muda mrefu.

Mfumo wa kujumuika na kushirikiana pia umetia fora katika mwaka tunaozungumzia na unathibitisha kuweko kwa hali ngumu ya usafiri wa ndege katika miaka ijayo.

Kote ulimwenguni, kumekuwa na uzorotaji wa faida katika biashara hii na ongezeko la bei ya mafuta umezidi kuathiri. Ukuaji hafifu wa usafiri na upunguzaji wa nauli umezidi kuathiri mafanikio. Jambo hili lililazimisha upunguzaji wa uwezo wa kubeba, na hatimaye kusababisha kufungwa kwa vituo mabli mbali na pia kupunguza wafanya kazi.

Biashara kwa Jumla

Biashara hii iliweza kukua kwa kiwango cha juu. Usafiri wa humu nchini na nje uliongezeka kwa asili mia 4.1 wakati theluthi moja ya bidhaa zilizouzwa ngambo zikisafirishwa kwa ndege. Hata hivyo, ukuaji huu uliathiriwa sana na kuongezeka kwa bei ya mafuta ya ndege jambo ambalo lilikuwa ni pigo kubwa katika gharama za uendeshaji biashara.



Ufanisi wa Kampuni

Mwaka huu wa 1999/2000 tulisafirisha jumla ya abiria 1,323,000 ambayo ni asili mia 26 zaidi ya idadi ya mwaka wa hapo awali. Soko letu la nyumbani lilikua kwa asilimia 22 ili hali usafiri katika eneo la bara Afrika liliongezeka kwa asili mia 36 na wakati huo huo soko la Mashariki na Mashariki ya kati liliongezeka kwa asili mia 23. Uunganishaji usafiri katika bara la Uropa uliongezeka kwa asili mia 18 katika muda huo huo, wakati ambapo usafirishaji mizigo ulionyesha matarajio mema kwa kuongezeka kwa asili mia 22.

Mapato kwa jumla yaliongezeka kwa asilimia 39 kufikia shilingi bilioni 17.84, ikiwa ni pamoja na ongezeko la asilimia 49 kutokana na ushuru katika uuzaji kwa wasafiri, ili hali asili mia 17 katika sehemu ya uchukuzi wa mizigo. Hata ingawa kulikuwa na ongezeko la bei ya mafuta ambayo tulilazimika kustahimili, faida katika uendeshaji biashara yetu mwakani ilikuwa ni bilioni 1.683 ambayo ni asilimia 77 zaidi ya mwaka 1998/1999. Faida kabla ya kutozwa ushuru na kiwango cha pato kwa kila hisa kilipanda kwa asili mia 194.

Ningependa kutoa shukrani za halmashauri kwa uongozi kwa juhudi na mafanikio yao ya uongozi, ustadi, kujitolea kwao, ujuzi na uwezo wa kuona mbele. Nina matumaini ya kuwa mabadiliko tuliyofanya katika uongozi mkuu mwaka uliyopita, utawezesha maamuzi mahsusi ambayo yatainua maadili katika kazi na pia kuipa motisha na kunawirisha kiini cha thamani ya ushirikiano.

Umilikazi

Wakati wakuandikwa, umiliki hisa wa kampuni yetu ulikuwa umetimia wanachama 94,152. Idadi hii ni pamoja na Mashirika waweka rasilimali wakuu 3,199 ya asili ya Kikenya, wenyehisa kiasi cha asilimia 39.29 watu binafsi 90,861 wa Kikenya ambao wanamiliki asilimia 29.10. Pia kuna mashirika ya kigeni 16 ambayoyanamiliki asilimia 30.88 na watu binafsi 76 wa kigeni ambao wanamiliki asilimia 0.10 ya hisa za kampuni hii.

Mgao wa Faida

Wakurugenzi wanapendekeza malipo ya mgao ya chini zaidi na ya mwisho yawe shilingi 0.75 (senti sabini na tano) kwa kila hisa, ambayo ni pamoja na mgao wa awali wa shilingi 0.50 (senti hamsini) kwa kila hisa yaliyokwisha lipwa. Kwa hiyo mgao wote kwa jumla ni shilingi 1.25 kwa kila hisa.

Wakurugenzi

Wanachama wa halmashauri ambao wamehudumu katika mwaka huu wameorodheshwa katika ripoti ya wakurugenzi kwenye ukurasa wa 17 ni Bwana S. Murage na Bi. Chemengich walistaafu mnamo tarehe 1.9.1999. Wakurugenzi wanatoa shukrani zao kwa huduma yao yenye thamani kubwa na vile vile wanawakaribisha Mabwana M.L Otieno na Titus Naikuni ambao walijiunga nasi tangu tarehe 1.10.1999.

Bwana I. E Omolo Okero ambaye amehitimia miaka 71, anastaafu kwa mzunguko na kwa hiyo bado ana uwezo wa kuchaguliwa tena. Hii ni kwa mujibu wa sehemu ya 186(5) ya sheria za mashirika.

Mwingine anayestaafu kwa njia ile ile ni Bwana Dinesh Kapila ambaye amejitolea iwapo ataweza kuchaguliwa tena.

I.E. Omolo Okero

Mwenyekiti

Chief Executive's Statement



Richard Nyaga
MANAGING DIRECTOR

Our operating environment in 1999/2000 was characterised by slack performance of the domestic economy compounded by an increasingly competitive and difficult global environment. A glut in capacity coupled with a decline in yields and a sharp increase in fuel prices impacted both revenue growth and operating costs unfavourably.

The above notwithstanding, our company bucked the trend. Our capacity in Available Seat Kilometres (ASKs) grew by 32% while passenger boardings increased by 26% over the previous year. Cost per ASK declined by 6% during the year under review while earnings per share increased by 194% with underlying asset value standing at Kshs 15.26 per share. We recorded a 77% increase in operating profits and an unprecedented 194% growth in net profit. We also generated Kshs 3 billion in cash flow, the bulk of which was retained in US Dollar deposits, substantially improving our already healthy balance sheet.

This outstanding performance was due largely to the steadfast dedication and hard work of our employees. Management acknowledges this effort and thanks the entire workforce for its commitment and contribution to the bottom line.

Our strategies on the JKIA hub, on network development, fleet development and alliance building began yielding positive results during the year and will be pursued with increasing vigour. The alliance with KLM has positioned the joint Kenya Airways/KLM product as the market leader in the USA/European market with the double daily service through Amsterdam and the daily service to London Heathrow proving immensely popular and competitive.

JKIA Hub

Overall, the impact of the development of JKIA as a hub and the strengthening of our alliances and partnerships achieved market leadership between Europe and Kenya with a total of 22 flights per week. African regional traffic grew by 36%, East/Middle East by 23% while domestic traffic grew by 22%.

Development of the Jomo Kenyatta International Airport as a key hub is critical to Kenya Airways' future growth strategy. The airport is currently undergoing an upgrade to improve the quality of facilities and services but the total outlay is insufficient to bring JKIA to the required international standard. Accordingly, Kenya Airways Limited has decided to invest in some of these improvements. However, as we account for 75% of international and 90% of domestic traffic at JKIA, it would be desirable to allocate most of the space in terminals 2 and 3 to Kenya Airways to fulfil its existing needs. The



goal is to make JKIA a modern, cost effective and internationally competitive airport offering services and connectivity of a level comparable to the best globally.

Network Strategy

During the year, we have pursued an aggressive network strategy to improve our market position and increase worldwide reach and connectivity beyond the current figure of just over 1350 city pair connections per week. With enhanced customer loyalty through more innovative product development, better service delivery and a more attractive Frequent Flyer Programme, we can hope to add value to our network and for our customers.

Together with KLM, we continued to consolidate and strengthen our position in our super hubs in Nairobi and Amsterdam. In addition, we also pursued with other partners strategies to increase our presence in other mini hubs most notably London, Johannesburg, Dubai, Abidjan and Lagos. This helped enhance our traffic feed, safeguard our market position and improve our network integrity.

We aim to remain the airline of choice to and through Nairobi by offering better customer service both on the ground and in the air and by providing more point-to-point flights, quick turnarounds and more frequencies. On the domestic front, our goal is to enhance our leadership position and to this end we recently launched Kenya Flamingo Airlines Limited, a wholly owned subsidiary of Kenya Airways to assure service certainty, reliability and long term continuity.

Fleet Development

In line with our growth strategy as outlined during last year's AGM, an extensive review of future fleet requirements has been carried out, resulting in commitments to lease three Boeing B767-300ER aircraft and two Boeing 737-700s to be delivered between June 2001 and January 2003.

Additionally, we have made commitments to purchase three Boeing B767-400ERX and two Boeing B737-700 directly from the manufacturers. The new, larger 400ERX aircraft, for which Kenya Airways is a launch customer, will be delivered in 2004 with the B737-700s expected between June 2001 and Jan 2003.

In the last quarter of the year, a Boeing B767-300ER was wet leased from KLM to fill the shortfall in capacity resulting from the loss of the Airbus A310 off Abidjan.



Company Reorganisation

To achieve our vision of becoming a world class network airline, we recognise the need to create a more efficient, performance oriented organisation with a strong focus on core business. In the course of the year we undertook a complete revamp of our organisation from top to bottom and initiated a process of outsourcing non-core activities such as canteen, medical, transport and cleaning services. With these changes, we aim at improving efficiency while keeping costs under tight control.

People Issues

The quality of our personnel was a major area of attention during the year. We implemented programmes geared towards enhancing skills through training and retraining of employees and developing a more professional, ethical and performance oriented approach to business. Our primary goal was to inculcate a

greater sense of leadership and accountability across all levels of our management. We also placed greater emphasis on improving employee working conditions and enhancing career opportunities. Our goal is to hire and retain the best.

Kenya Airfreight Handling Limited

The year just ended was a difficult one for KAHL, reflecting the downturn in the Kenyan economy with both import and export volumes declining. However KAHL weathered the storm to produce a healthy result. Despite the reduced volume throughputs of both imports and exports and the intensified competition at the Jomo Kenyatta International Airport, KAHL retained its premier position, maintaining both revenue streams and profitability.

Kenya Airfreight Handling Limited also assumed responsibility for all Kenya Airways ramp handling operations in Nairobi and Mombasa with the transfer of both staff and equipment from Kenya

Airways. This development was consistent with our policy of providing an integrated and seamless ground handling service and developing a more focused approach to handling third party business. It also strengthens KAHL's position as the only ground handling company with a complete portfolio of deliverable handling services, thereby enhancing our competitive advantage. During the year, the Board of KAHL comprised Mr. I.E. Omolo Okero (Chairman), Mr. Mike Flinders (Managing Director), Mr. R.S. Nyaga, Mr. L.G. Kamau, Mr. B.M. Presbury and Mrs. Teodosia Osir (Company Secretary)



Richard Nyaga, MD Kenya Airways and Mike Flinders, MD KAHL with other members of the KAHL Management Team

Flamingo Airlines Limited

Since May 1997, Eagle Aviation has been operating a franchise service for Kenya Airways on our domestic routes. Without direct control over the company or its operations, it was difficult for Kenya Airways to plan for the future. As a consequence, we came to the inevitable conclusion to launch a second level carrier wholly owned by Kenya Airways to take over the franchise.

Flamingo Airlines Limited was incorporated at the end of the last financial year with Mr. I.E. Omolo Okero as Chairman of the Board. It commenced operations in early July with two leased Saab 340B aircraft. The carrier will take advantage of liberalisation to expand the domestic market and seek opportunities farther afield.

Kenya Airways/Government of Kenya Partnership

The Government of Kenya holds a 23% stake in Kenya Airways. This investment has proven crucial and represents an asset to the government and to the nation.

Since 1996, our contribution to the Kenyan economy has been substantial. This includes a Kshs 4.0 billion income to the exchequer from privatisation, Kshs 8.5 billion in local taxes and charges for the period 1998 to 2000 and Kshs 15.0 billion in Forex inflows for the 1999/2000 fiscal year.





We spend some Kshs 2.0 billion in purchases of local goods and services annually and have contributed to the rehabilitation of our tourism industry through a direct contribution of Kshs 20 million as well as our concerted efforts to develop tourist traffic out of our major traditional sources.

E-Commerce

Distribution is a major cost component of our operations, taking up 7% of our total revenues for 1999/2000. To reduce distribution costs and improve profitability, we have committed resources to developing our e-business potential as well as commissioning a corporate website. Through the progressive introduction of e-commerce and other technology driven distribution strategies, we hope to be able to enhance our revenue base while attacking costs in a critical area.

Investing in the Future

With a healthy balance sheet, we have been able to consider critical investments to further strengthen our position and anchor future growth and development. Key among these investments are Kshs 55 billion (USD 750 million) in Kenya Airways fleet modernisation and acquisition of related support equipment through 2004, over Kshs 800 million in Flamingo Airlines Limited and a Kshs 500 million investment in our new head office.

To consolidate the leading position of our subsidiary Kenya Airfreight Handling Limited, we have earmarked a Kshs 524 million investment in ground handling facilities at Nairobi and Mombasa. Additionally, we plan to invest Kshs 2.0 billion for training, and Kshs 1.5 billion on Capital Expenditure during the current financial year.

These investments, coupled with a very healthy balance sheet, should put Kenya Airways at the leading edge of our industry and well ahead of competition.

Future Outlook

We shall continue the pursuit of focused and workable strategies to consolidate our leadership position on the continent and enhance our competitiveness globally.

To sustain our growth and profitability, we must ensure improvements in productivity and efficiency. This will be achieved through the implementation of sound business policies and strategies and the recruitment and retention of the best. It will also be necessary to empower our management and develop a pragmatic leadership succession plan.

We must look beyond privatisation and reach out for global excellence.

R.S. Nyaga

Managing Director

Management Team



Richard Nyaga
MANAGING DIRECTOR



Lewis Kamau
GENERAL COUNSEL &
COMPANY SECRETARY



Brian Presbury
FINANCE DIRECTOR



David Namu
DIRECTOR HUMAN RESOURCES
& ADMINISTRATION



Steve Clarke
TECHNICAL DIRECTOR



Capt Joe Mutungi
DIRECTOR
FLIGHT OPERATIONS



Bram Steller
COMMERCIAL DIRECTOR



Dr Jason Kap-Kirwok
DIRECTOR CORPORATE
STRATEGY & PLANNING



Mike Flinders
MANAGING DIRECTOR
KAHL



James Ohayo
DIRECTOR CORPORATE
COMMUNICATIONS

Three Years Summary

Financial Highlights

	2000		1999		1998	
	KShs Mill	USD Mill	KShs Mill	USD Mill	KShs Mill	USD Mill
Turnover:						
Passengers	15,505	212.9	10,422	168.8	9,037	149.2
Cargo	1,680	23.1	1,409	22.8	1,390	23.0
Other	655	9.0	1,003	16.3	1,221	20.2
Total	17,840	245.0	12,834	207.9	11,648	192.4
Direct Expenditure	(12,683)	(174.2)	(8,484)	(137.4)	(7,091)	(117.1)
Gross Profit	5,157	70.8	4,350	70.5	4,557	75.3
Overheads	(3,474)	(47.7)	(3,401)	(55.1)	(3,200)	(52.9)
Interest Payable	(523)	(7.2)	(369)	(5.9)	(291)	(4.8)
Interest Received	287	3.9	174	2.8	238	3.9
Gains on						
Foreign Exchange	252	3.5	87	1.4	132	2.2
Profit on Disposals	1,154	15.9	584	9.4	-	-
Profit before Taxation	2,853	39.2	1,425	23.1	1,436	23.7
Taxation	69	1.0	(432)	(7.0)	(122)	(2.0)
Net Profit	2,922	40.2	993	16.1	1,314	21.7
Dividends	577	7.9	0.0	0.0	461	7.7

Operating Statistics

	2000	1999	1998
Passengers	1,323,400	1,047,440	805,544
RPK's (Mill)	(1) 2,722	2,049	1,822
ASK's (Mill)	(2) 4,323	3,277	2,913
Passenger Load Factor %	(3) 63.0	62.5	62.8
Cargo Tonnes	16,739	15,175	12,115
Pax yield per RPK (US CENT)	(4) 7.8	8.1	8.2
Employees: Airline	2,413	2,528	2,463
Group	2,749	2,868	2,804
Aircraft in Service at Year End:			
Airbus A310-300	3	4	3
Boeing 737-200	2	2	2
Boeing 737-300	4	4	2
Boeing 767-300	1	-	-

Notes:

1. RPK (Revenue Passenger Kilometres) – The number of passengers carried multiplied by the distance (Kilometres) flown.
2. ASK (Available Seat Kilometres) – The number of seats available for sale multiplied by the distance (Kilometres) flown.
3. Passenger Load Factor – RPK's expressed as a percentage of ASKs.
4. Pax yield per RPK – Passenger income divided by passenger kilometres travelled expressed in US cents.

Report of the Directors

The directors submit their report and the audited accounts for the year ended 31 March 2000.

1. *Principal activity*

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

The group flies to 28 destinations in Africa, East/Middle East, Europe and also within Kenya.

The group operates a fleet of eleven aircraft, including six Boeing 737 (narrow body), four A310 and one B767 aircraft (wide body).

2. *Results*

The results of the Group for the year are shown on page 20.

3. *Dividend*

The directors recommend the payment of a final dividend of KShs. 0.75 per share (1999 - Nil), which together with the interim dividend of KShs. 0.50 per share already paid, brings the total dividends payable for the year to KShs. 1.25 per share (1999 - Nil).

4. *Year 2000 Compliance*

The company's systems are Year 2000 compliant.

5. *Directors*

Directors who served during the year were:

Mr I E O Okero	<i>Chairman</i>
Mr R S Nyaga	<i>Managing Director (Appointed 1.6.1999)</i>
Mr B Davies	<i>Managing Director (ceased to be director on 1.6.1999)</i>
Mr B M Presbury	<i>Finance Director</i>
Mr S K Murage	<i>(Resigned on 1.9.1999)</i>
Ms M Chemengich	<i>(Resigned on 1.9.1999)</i>
Mr M L Oduor Otieno	<i>(Appointed on 1.10.1999)</i>
Mr R J N Abrahamsen	
Mr T Naikuni	<i>(Appointed on 1.10.1999)</i>
Mr A B Van Luyk	
Mr D Kapila	
Mr M L Somen	
Mr H K Kiplagat	
Dr C W Obura	
Mr J B Okara	<i>Alternate to Mr S K Murage</i>
Mr G M Mitine	<i>Alternate to Ms M Chemengich/Mr M L Oduor Otieno</i>
Mr H Korteweg	<i>Alternate to Mr A Van Luyk</i>

Mr I.E. Omolo Okero, having attained the age of 71 years, who retires by rotation, and being eligible by virtue of a special notice given under section 186 (5) of the Companies Act, offers himself for re-election pursuant to the following ordinary resolution of the company: THAT Mr I.E. Omolo Okero, who having attained the age of 71 years, be and is hereby re-elected a director of the company.

Continued overleaf

from previous page

Mr. Dinesh Kapila, who retires by rotation and being eligible, offers himself for re-election.

6. Incorporation

The company is incorporated in Kenya under the Companies Act, and is listed on the Nairobi Stock Exchange.

The address of its registered office is:

P. O. Box 19002

Embakasi, Nairobi

(LR No. 9042/7)

*The registration number of the Company is **C15300.***

7. Auditors

Bellhouse Mwangi Ernst & Young have indicated their willingness to continue in office and do so under the terms of section 159(2) of the Companies Act.

By order of the board

L G Kamau

General Counsel and Company Secretary

Report of the Independent Auditors

To the Members of Kenya Airways Limited

We have audited the accounts set out on pages 20 to 45 which have been prepared on the basis of the accounting policies set out on pages 24 to 27. We obtained all the information and explanations which we considered necessary for our audit.

Respective Responsibilities of the Directors and the Independent Auditors

The directors are responsible for the preparation of accounts which give a true and fair view of the state of affairs and operating results of the group and the company. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. We planned and performed our audit so as to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of significant estimates and judgements made by the directors in the preparation of the accounts and whether the accounting policies are appropriate in the group's circumstances, consistently applied and adequately disclosed.

Opinion

In our opinion, proper books of account have been kept and the accounts, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the group and the company as at 31 March 2000, and of the profit and cash flows of the group for the year then ended in accordance with International Accounting Standards except as noted below, and comply with the Companies Act.

As indicated in Note 1 (i), aircraft which are financed in whole or in part in foreign currency borrowings are regarded together with the related liabilities as a separate group of assets and liabilities and accounted for in foreign currency. The resulting net exchange differences are taken to reserves since the directors are of the opinion that these borrowings provide a hedge against the exchange risk associated with the investments. This is not in accordance with International Accounting Standard Number 21 (IAS 21) which provides that the cost of such assets be fixed in Kenya Shillings at the rate ruling at the date of the original acquisition and the exchange gain or loss on the related borrowing be reflected in the profit and loss account. The departure from IAS 21 has resulted in an increase of net profit by KShs 1,024 million being loss on exchange on the loans taken to reserves in the year, and cumulative increase in net assets of KShs 2,278 million as at 31 March 2000. We concur with this treatment. The accounts comply with International Accounting Standards in all other respects.

 BELLHOUSE MWANGI ERNST & YOUNG

Certified Public Accountants

Nairobi

16 June 2000

Consolidated Profit and Loss Account

for the year ended 31 March 2000

	Notes	2000 KShs million	1999 KShs million
Turnover	2	17,840	12,834
Direct expenditure	4	(12,683)	(8,484)
Gross profit		5,157	4,350
Overheads	4	(3,474)	(3,401)
Operating profit		1,683	949
Net financial income/(expenses)	5	16	(108)
Profit on sale of fixed assets and investments	6	1,035	584
Accident of KQ 431	7	119	-
Profit before tax		2,853	1,425
Tax	8	69	(432)
Net profit for the year	19	2,922	993
Earnings per share before tax (KShs)	10	6.18	3.09
Earnings per share after tax (KShs)	10	6.33	2.15

Consolidated Statement of Recognised Gains and Losses

	Notes	2000 KShs million	1999 KShs million
Net exchange movement for the year	19	(48)	(25)
Net exchange movement on disposal of aircraft	19	(1,549)	-
Net gains not recognised in the income statement		(1,597)	(25)
Net profit for the year		2,922	993
Total recognised gains		1,325	968
Effect of change in accounting policy •	8	79	(214)

• (Adoption of IAS 12 - deferred tax)

Consolidated Balance Sheet

as at 31 March 2000

	Notes	2000 KShs million	1999 KShs million
ASSETS			
<i>Non-Current Assets</i>			
Property, plant and equipment	11	10,120	11,244
Investments	12	-	-
Deferred assets	13	-	252
Deposits	14	562	119
		10,682	11,615
<i>Current Assets</i>			
Inventories	15	840	931
Tax recoverable		180	96
Trade, other receivables and prepayments	16	6,882	2,864
Cash and cash equivalents	17	4,356	2,205
		12,258	6,096
Total Assets		22,940	17,711
EQUITY AND LIABILITIES			
<i>Capital and Reserves</i>			
Share capital	18	2,308	2,308
Reserves	19	4,956	4,208
Total Equity		7,264	6,516
<i>NON-CURRENT LIABILITIES</i>			
Interest bearing loans	20	6,909	6,562
Deferred tax liabilities	21	1,094	1,173
		8,003	7,735
<i>CURRENT LIABILITIES</i>			
Sales in advance of carriage		989	734
Trade and other payables	22	5,793	1,931
Provisions for liabilities and charges	23	545	529
Interest bearing loans and borrowings	20	-	266
Proposed dividend	9	346	-
		7,673	3,460
Total Equity and liabilities		22,940	17,711

These accounts were approved by the Board of Directors on 16 June 2000 and signed on behalf of the Board by:

I.E. Omolo Okero Director
B.M.H. Presbury Director

Consolidated Cash Flow Statement

for the year ended 31 March 2000

	Notes	2000 KShs million	1999 KShs million
<i>Operating Activities</i>			
Cash generated from operations	24	3,207	1,107
Income taxes paid		(94)	(358)
Net cash from operating activities		3,113	749
<i>Investing activities</i>			
Purchase of property, plant and equipment		(400)	(4,154)
Deposits for aircraft		(443)	943
Proceeds from sale of fixed assets and investments		1,242	588
Interest received		287	174
Net cash from/(to) investing activities		686	(2,449)
<i>Financing activities</i>			
Proceeds from long term borrowings		-	3,371
Repayment of long term borrowings		(628)	(512)
Interest paid		(523)	(360)
Dividend paid		(231)	(461)
Net cash (to)/from financing activities		(1,382)	2,038
Net increase in cash and cash equivalents		2,417	338
Cash and cash equivalents at beginning of year	17	1,939	1,601
Cash and cash equivalents at end of year	17	4,356	1,939

Balance Sheet - The Company

for the year ended 31 March 2000

	Notes	2000 KShs million	1999 KShs million
ASSETS			
<i>Non-Current Assets</i>			
Property, plant and equipment	11	10,081	11,214
Investments	12	-	-
Deferred assets	13	-	252
Deposits	14	562	119
		10,643	11,585
<i>Current Assets</i>			
Inventories	15	837	928
Tax recoverable		165	93
Receivables and prepayments	16	6,862	2,844
Cash and cash equivalents	17	3,990	1,964
		11,854	5,829
Total Assets		22,497	17,414
EQUITY AND LIABILITIES			
<i>Capital and Reserves</i>			
Share capital	18	2,308	2,308
Reserves	19	4,405	3,784
Total Equity		6,713	6,092
<i>NON-CURRENT LIABILITIES</i>			
Interest bearing loans	20	6,909	6,562
Deferred tax liabilities	21	1,094	1,173
		8,003	7,735
<i>CURRENT LIABILITIES</i>			
Sales in advance of carriage		989	734
Amount due to subsidiary		172	183
Trade and other payables	22	5,729	1,875
Provisions for liabilities and charges	23	545	529
Interest bearing loans and borrowings	20	-	266
Proposed dividend	9	346	-
		7,781	3,587
Total Equity and liabilities		22,497	17,414

These accounts were approved by the Board of Directors on 16 June 2000 and signed on behalf of the Board by:

I.E. Omolo Okero Director
B.M.H. Presbury Director

Notes to the Accounts

for the year ended 31 March 2000

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(i) Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with and comply with Standards issued by the International Accounting Standards Committee (IASC), interpretations issued by the Standing Interpretations Committee of the IASC and applicable requirements of the Companies Act, except as noted below on treatment of aircraft financed in whole or in part in foreign currency borrowings.

The International Accounting Standards have been adopted with effect from 1 April 1999. The adoption of the International Accounting Standards have resulted in presentational changes in the financial statements. With the exception of IAS 12, Income Taxes, there are no changes in accounting policy that affect operating profit resulting from the adoption of International Accounting Standards.

The consolidated financial statements have been prepared on a historical cost basis as modified by the inclusion of certain assets at valuation. The accounts are presented in Kenya Shillings Millions (KShs. Million).

Aircraft which are financed in whole or in part in foreign currency borrowings are regarded together with the related liabilities as a separate group of assets and liabilities and accounted for in foreign currency. The amounts in foreign currency are translated into Kenya Shillings at rates ruling at the balance sheet date and the net difference arising from the translation of aircraft costs and related foreign currency loans are taken to reserves. This is not in accordance with International Accounting Standard (IAS) number 21 which provides that the cost of such assets be fixed in Kenya Shillings at the rate ruling at the date of the original acquisition and the exchange gain or loss on the related borrowings be reflected in the profit and loss account.

The resulting net exchange differences are taken to reserves since the directors are of the opinion that these borrowings provide a hedge against the exchange risk associated with the investments. The directors have thus concluded that the financial statements fairly present the Company's and Group's financial position, financial performance and cash flows.

The departure from the IAS has resulted in an increase of net profit by KShs 1,024 million (1999 - KShs 137 million), and a cumulative increase of assets by KShs 2,278 million - (1999 KShs 2,851 million).

(ii) Basis of Consolidation

The consolidated financial statements comprise the accounts of Kenya Airways Limited and its wholly owned subsidiaries Kenya Airfreight Handling Limited, Flamingo Airlines Limited and KQ leasing (No 1) Limited, after elimination of all material inter-company transactions.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(iii) Foreign Currency Translation

Foreign Currency Transactions

Transactions during the year are converted into Kenya Shillings at exchange rates ruling at the transaction dates. Monetary assets and liabilities which are expressed in foreign currencies are translated into Kenya Shillings at exchange rates ruling at the balance sheet date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

P R O X Y

note 1)

I/We _____ of _____

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

_____ of _____

or failing him _____ of _____

i) as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday 22nd September 2000 and at any adjournment thereof.

ii) Signature(s) _____

iii) _____

iv) Signed this _____ day of _____ 2000.

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

vi) *Strike out whichever is not desired.

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 authorised.
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 the names of all joint holders should be stated.

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.

Name: _____

Signature: _____

Share Account Number: _____

Annual General Meeting of Kenya Airways Limited to be held at the Kenya Airways Headquarters, North Airport Road, Embakasi, Nairobi on Friday 22nd September 2000 at 11.00 a.m.

Uwakilishi

(maelezo nambari 1)

Mimi/Sisi _____ wa _____

nikiwa mwanachama/tukiwa wanachama wa kampuni iliyoonyeshwa hapo juu, namteua/tunamteua:

_____ wa _____

asipokuwepo _____ wa _____

i) kama mwakilishi wangu/wetu anipigie/atupigie kura kwa niaba yangu/yetu kwenye mkutano mkuu wa mwaka wa kampuni urakao fanywa siku ya Jumatano tarehe 22 Septemba 2000 ama wakati wowote iwapo mkutano huu utaharishwa.

ii) Sahihi _____

iii) (maelezo nambari 2)

iv) Sahihi hii imetiwa tarehe _____ mwezi wa _____ 2000.

v) Fomu hii itumiwe *kwa kuunga ama kutounga mkono azimio. Isipokuwa aagizwe vinginevyo mwakilishi anaweza kupiga kura jinsi anavyopenda.

vi) *Yafute yasio stahili.

Maelezo:

1. Anwani lazima iwe ile iliyo onyeshwa kwenye daftari la wanachama.
2. Iwapo mwanachama atakuwa ni wa Shirika, Fomu hii ya uwakilishi lazima udhinishwe ama kutiwa sahihi kwa niaba ya Shirika na mwanasherika ama afisa alieruhusiwa.
3. Mtu aliteuliwa kuwakilisha kampuni si lazima awe mfanyi kazi wa kampuni hiyo.
4. Ikiwa uwakilishi ni wa watu wengi, sahihi ya mmoja wao inatosha lakini majina ya wahusika wengine wote ni lazima yaandikwe.

Barua ya kutambua ni mwenyechi a katiyana

Tafadhali kamilisha barua hii ambayo lazima itolewe na wewe binafsi ama mwakilishaji kwenye mkutano mkuu wa mwaka kuthibitisha kuhudhuria.

Jina:

Sahihi:

Nambari ya akaunti ya hisa:

Mkutano mkuu wa mwaka utakaofanywa kwenye Makao Makuu ya Kenya Airways, North Airport Road, Embakasi, Nairobi mnamo siku ya Jumatano tarehe 22 Septemba 2000 kuanzia saa tano, asubuhi.



Notes to the Accounts

for the year ended 31 March 2000

Aircraft which are financed in whole or in part in foreign currency borrowings

Aircraft which are financed in whole or in part in foreign currency borrowings are regarded together with the related liabilities as a separate group of assets and liabilities and accounted for in foreign currency. The amounts in foreign currency are translated into Kenya Shillings at rates ruling at the balance sheet date and the net difference arising from the translation of aircraft costs and related foreign currency loans are taken to reserves.

(iv) Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the Group and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

(v) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation, less accumulated depreciation.

The company's fixed assets were last valued in 1989 by M/s Bageine Karanja Mbuu Limited, professional valuers. The surplus arising therefrom was transferred to the capital reserve and has been amortised annually to profit and loss account, representing the excess depreciation charged in the profit and loss account. The surplus was fully amortised in 1998.

Aircraft which are financed in whole or in part in foreign currency borrowings are translated into Kenya Shillings at rates ruling at the balance sheet date.

Depreciation is provided on the cost/valuation of assets on the straight line basis at rates designed to write down the assets to their estimated residual values over their estimated useful lives as follows:-

<i>Aircraft</i>	<i>Rate per Annum</i>
Airbus A-310	7.65%
Fokker 50	8.35%
Boeing 737-300	5.56%
<i>Vehicles and Equipment</i>	
Ground handling equipment	25.00%
Motor vehicles	25.00%
Other assets	12.50%

Leasehold land and buildings are depreciated over the period of the leases. The spare engines and the simulator are depreciated over the lives of the aircraft to which they relate.

With effect from the financial year ended 31 March 1997, aircraft rotables are capitalized under fixed assets and are amortised over the remaining lives of the aircraft on which they are used.

(vi) Inventories

Stocks are valued at the lower of cost and net realisable value.

Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Aircraft rotables purchased before the financial year ended 31 March 1997 are included in stocks and amortised over the remaining lives of the aircraft on which they are used.

(vii) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection for the full amount is no longer probable. Bad debts are written off as incurred.

Notes to the Accounts

for the year ended 31 March 2000

(viii) Cash and Cash Equivalents

Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost plus interest earned but not yet received at balance sheet date.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash on hand and deposits in banks, and short term highly liquid investments net of outstanding bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

(ix) Sales in Advance of Carriage

Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities in the 'sales in advance of carriage' account until recognised as a revenue when the transportation service is provided. Unused tickets are recognised as revenues on a systematic basis.

(x) Trade and Other Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(xi) Provisions

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

Provision for overhaul costs for aircraft airframes and engines is made on the basis of the estimated useful life cycles of engines and airframes. The overhaul costs are based on a directors' estimate.

(xii) Employees Benefits

The group operates a defined contribution provident scheme for all its employees. The scheme is administered by the trustees and funded by contributions from both the group and employees. The funds are managed by an investment management firm.

Any contribution made to the group's funded provident scheme in respect of current service are charged against income in the year of contribution.

(xiii) Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing/loan.

After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortized cost and revalued at year end foreign exchange rates.

(xiv) Operating Leases

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

When an operating lease is terminated before the lease period has expired, any payments required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(xv) Share Capital

Ordinary share capital is recognized at the fair value of the consideration received by the Company.

(xvi) Revenue Recognition

Passenger ticket and cargo airway bill sales, net of discounts, are recorded as current liabilities in the 'sales in advance of carriage' account until recognised as a revenue when the transportation service

Notes to the Accounts

for the year ended 31 March 2000

is provided. Commission costs are recognised at the same time as the revenue to which they relate and are charged to cost of sales. Unused tickets are recognised as revenue on a systematic basis.

All other revenues are recognised at the time the service is provided.

(xvii) Loan Commitment Fees

Loan commitment fees in respect of aircraft acquisition are capitalised as part of the aircraft cost.

(xviii) Frequent Flyer Program

Kenya Airways is currently hosted on the KLM frequent flyer programme known as 'The Flying Dutchman'. The program has both airline partners and non airline partners e.g. hotels, car hire companies etc. Under The Flying Dutchman program, members earn points by using both airline and non airline partners. To compensate KLM for use of the program, Kenya Airways pays KLM US Cents 1.75 per point for Flying Dutchman members who use Kenya Airways flights. KLM on the other hand pays Kenya Airways US Cents 0.50 for Flying Dutchman members who redeem points on Kenya Airways Flights. Accumulated points can be used to get a variety of awards ranging from free tickets to flight upgrades.

Kenya Airways has also entered into similar arrangements with other Airline partners, Northwest and Alitalia.

(xix) Income taxes

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss).

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized (unless the deferred tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

For deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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 profit will be available to allow all or part of the deferred tax to be utilized.

Deferred tax asset and liability are measured at the rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

(xx) Comparatives

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

Notes to the Accounts

for the year ended 31 March 2000

2. TURNOVER	2000	1999
	KShs million	KShs million
Passengers	15,505	10,422
Freight and mail	1,680	1,409
Others	655	1,003
	17,840	12,834

3. **SEGMENT INFORMATION**

(a) **Business Segments**

The directors regard all group activities as relating to the airline business.

(b) **Geographical Segments**

Turnover

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

In the case of passenger, freight and mail, domestic turnover is attributed to those services 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.

Net assets

Geographical analysis of net assets:

The major revenue-earning assets of the group is the aircraft fleet, the majority 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.

The following tables present revenue and profit information regarding geographical segments for the years ended 31 March 2000 and 1999.

(c) **Geographical Analysis of Turnover**

	2000	1999
	KShs million	KShs million
Kenya	3,191	3,253
Africa	6,299	3,926
East/Middle East	3,150	2,270
Europe	5,200	3,385
	17,840	12,834

(d) **Geographical Analysis of Operating Profit**

Kenya	399	763
Africa	975	690
East/Middle East	266	(251)
Europe	43	(253)
	1,683	949

Notes to the Accounts

for the year ended 31 March 2000

4. ANALYSIS OF OPERATING EXPENDITURE

Direct Expenditure

Direct expenditure included the following for the years ended 31 March:

	2000	1999
	KShs million	KShs million
Aircraft fuel and oil	2,934	1,568
Hire of aircraft and engine	971	687
Aircraft landing, handling and navigation	2,863	1,966
Aircraft maintenance	1,685	1,031
Passenger services	1,526	1,134
Commission on sales	1,219	873
Aircraft, passengers and cargo insurance	75	92
Depreciation of aircraft, engines and simulator	325	270
Crew route expenses	671	564
Central reservation system (net) and frequent flyer program	414	299
	12,683	8,484

Overheads

Overheads included the following for the years ended 31 March:

	2000	1999
	KShs million	KShs million
Employee costs	2,403	2,022
Losses charged on receivables and prepayments	164	177
Advertising and publicity	218	222
General maintenance and supplies	246	217
Depreciation	115	120
Directors' remuneration	2	2
Audit fee	3	3
Other administrative costs	323	638
	3,474	3,401

Employee costs and numbers

Number

The average number of persons employed in the group during the year was as follows:

	2000	1999
Kenya	2,621	2,648
Overseas	128	147
	2,749	2,795

Notes to the Accounts

for the year ended 31 March 2000

4. ANALYSIS OF OPERATING EXPENDITURE (continued)

Costs	2000	1999
	KShs million	KShs million
Wages and salaries	1,895	1,387
Contributions to pension schemes	93	76
Social security costs	2	2
Others	413	557
	2,403	2,022

5. NET FINANCIAL INCOME/(EXPENSES)

Interest receivable on deposits	287	174
Gains on foreign exchange	252	87
Interest payable on capital borrowings	(489)	(339)
Bank charges and overdraft interest	(34)	(30)
	16	(108)

6. PROFIT ON SALE OF FIXED ASSETS AND INVESTMENTS

Gain on part disposal of Equant shares	511	578
Gain on disposal of three Fokker 50 aircraft	521	-
Gain on disposal of other assets	3	6
	1,035	584

During the year the company sold 77,856 shares in Equant for US\$ 6.8 million (1999: 130,835 shares for US\$ 9.3 million).

Equant is a co-operative registered in Belgium and owned by airlines, for provision of communications services for its airline members. The individual airline's shareholding in Equant is determined by the level of utilisation of its services by the airline. This is a notional investment with no corresponding costs in the accounts.

During the year the company sold off its fleet of 3 Fokker 50 aircraft. The gain on disposal of the aircraft has been reduced by incidental costs to the sale and write down of the Fokker spares to their estimated net realisable values.

Notes to the Accounts

for the year ended 31 March 2000

7. ACCIDENT OF KQ 431

A Kenya Airways plane, an A310-300 flight No. KQ 431 crashed off the Coast of Abidjan on 30 January 2000. Transactions related to this event are summarised below:

	2000 KShs million	1999 KShs million
Insurance proceeds receivable	3,000	-
Less:		
Net book value of aircraft	269	-
Incidental expenses incurred	471	-
Less insurance advances	(55)	-
Net incidental expenses incurred	416	-
Cost of replacement capacity	2,196	-
Total cost	2,881	-
Surplus of insurance proceeds to cost	119	-

Insurance proceeds of US\$ 40 million was received after year end and is in respect of the sum insured of the aircraft hull. The carrying amount of the aircraft has been written off the books of account.

Insurance claims for the incidental costs have not been finalised. Should the claims be reimbursed in the subsequent years then they will be treated as a non-operating item in the profit and loss statement. Further, the costs incurred on the accident have not been finalised and some billings are still being received. An estimate for such costs has been accrued in the accounts.

The replacement capacity costs relate to those costs incurred for a lease of an aircraft to replace the lost capacity which are over and above the costs that would have been incurred to operate the original A310 aircraft.

8. TAX

Tax charge

Major components of tax expense for the year ended 31 March were:

	2000 KShs million	1999 KShs million
Current tax	54	130
(Over)/under provision in previous years	(44)	88
Deferred tax (Note 21)	(79)	214
Tax (credit)/charge	(69)	432

Notes to the Accounts

for the year ended 31 March 2000

8. TAX (continued)

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

	2000 KShs million	1999 KShs million
Profit before tax	2,853	1,425
Tax calculated at a rate of 30% (1999 – 32.5%)	856	463
Tax effects of:		
Income not subject to tax	(614)	(252)
Expenses not deductible for tax purposes	43	6
(Reversing)/originating temporary differences	(310)	127
(Over)/under provision in prior years	(44)	88
Tax (credit)/charge	(69)	432

Tax assessments have been agreed with the Income Tax Department up to and including 1991. From 1992 returns have been filed on a self-assessment basis.

9. DIVIDENDS PAID AND PROPOSED

	2000 KShs million	1999 KShs million
Interim dividend paid	231	–
Final dividend proposed	346	–
Total dividends	577	–
Dividend per share (KShs)	1.25	–

- (i) During 2000, an interim dividend of KShs 0.50 per ordinary share (totaling KShs 231 million) was paid. A final dividend of KShs 0.75 per ordinary share (totaling KShs 346 million) has been proposed and the amount has been recognised as a liability at 31 March 2000. The dividend will be submitted for formal approval at the Annual General Meeting.

During 1999 no dividends were declared.

- (ii) Dividend per share is arrived at by dividing the total dividend by the number of shares in issue at the balance sheet date.
- (iii) Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-residents.

10. EARNINGS PER SHARE

- (a) Earnings per share before tax.

The calculation of earnings per share is based upon the profit before tax in each year divided by the number of shares in issue at balance sheet date.

- (b) Earnings per share after tax

The calculation of earnings per share is based upon the profit after tax in each year divided by the number of shares in issue at balance sheet date.

Notes to the Accounts

for the year ended 31 March 2000

11. PROPERTY, PLANT AND EQUIPMENT

An analysis of activity in property, plant and equipment was as follows for the years ended 31 March:

(a) The Group

	Leasehold Land and buildings KShs million	Aircraft Engines & simulator KShs million	Vehicles and equipment KShs million	Total KShs million
(i) Year ended 31 March 1999				
Balance at the beginning of year, net of accumulated depreciation	204	6,534	610	7,348
Additions	-	3,926	228	4,154
Disposals	-	-	(4)	(4)
Depreciation	(9)	(270)	(112)	(391)
Net exchange differences for the year	-	137	-	137
Closing net book amount	195	10,327	722	11,244
At 31 March 1999				
Cost or valuation	262	18,278	1,369	19,909
Accumulated depreciation	(67)	(7,951)	(647)	(8,665)
Net book amount	195	10,327	722	11,244
(ii) Year ended 31 March 2000				
Balance at the beginning of year, net of accumulated depreciation	195	10,327	722	11,244
Additions	6	2	392	400
Disposals	-	(458)	(53)	(511)
Depreciation	(9)	(325)	(106)	(440)
Net exchange differences for the year	-	976	-	976
Net exchange differences on disposals	-	(1,549)	-	(1,549)
Closing net book amount	192	8,973	955	10,120
At 31 March 2000				
Cost or valuation	268	12,684	1,620	14,572
Accumulated depreciation	(76)	(3,711)	(665)	(4,452)
Net book amount	192	8,973	955	10,120

Notes to the Accounts

for the year ended 31 March 2000

11. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Company

	Leasehold Land and buildings KShs million	Aircraft Engines & simulator KShs million	Vehicles and equipment KShs million	Total KShs million
(i) Year ended 31 March 1999				
Balance at the beginning of year, net of accumulated depreciation	204	6,534	570	7,308
Additions	-	3,926	226	4,152
Disposals	-	-	(4)	(4)
Depreciation	(9)	(270)	(100)	(379)
Net exchange differences for the year	-	137	-	137
Closing net book amount	195	10,327	692	11,214
At 31 March 1999				
Cost or valuation	262	18,278	1,307	19,847
Accumulated depreciation	(67)	(7,951)	(615)	(8,633)
Net book amount	195	10,327	692	11,214
(ii) Year ended 31 March 2000				
Balance at the beginning of year, net of accumulated depreciation	195	10,327	692	11,214
Additions	6	2	373	381
Disposals	-	(458)	(53)	(511)
Depreciation	(9)	(325)	(96)	(430)
Net exchange differences for the year	-	976	-	976
Net exchange differences on disposals	-	(1,549)	-	(1,549)
Closing net book amount	192	8,973	916	10,081
At 31 March 2000				
Cost or valuation	268	12,684	1,538	14,490
Accumulated depreciation	(76)	(3,711)	(622)	(4,409)
Net book amount	192	8,973	916	10,081

Notes to the Accounts

for the year ended 31 March 2000

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group and Company

	Valuation/cost KShs million	depreciation KShs million	Net book amount	
			2000 KShs million	1999 KShs million
Revalued fleet and properties are included in the accounts at the following amounts:				
Fleet - valuation	12,684	(3,711)	8,973	10,327
Property - valuation	268	(76)	192	195
31 March 2000	12,952	(3,787)	9,165	-
31 March 1999	18,540	(8,018)	-	10,522

If these assets had not been revalued they would have been included at the following amounts:

31 March 2000	8,672	(1,797)	6,875	-
31 March 1999	11,120	(3,512)	-	7,608

12. INVESTMENTS

(a) Investments in Subsidiaries

Name	Country of incorporation	Shares held	Percentage of equity interest	
			2000	1999
Kenya Airfreight Handling Limited	Kenya	2000 shares of Kenya Shillings 20 each (Cost - KShs 20,000)	100%	100%
Kenya Flamingo Airways Limited	Kenya	2000 shares of Kenya Shillings 20 each (Cost - KShs 20,000)	100%	100%
KQ Leasing (No. 1) Limited	United Kingdom	2 shares of GBP 1 each (Cost - GBP 2)	100%	100%

The above investments are stated at lower of cost and net realisable value.

Flamingo Airlines Limited is dormant and a provision has been made for the cost of the investment.

Notes to the Accounts

for the year ended 31 March 2000

12. INVESTMENTS (continued)	2000	1999
	KShs million	KShs million
(b) Investment in Associated Company		
African Tours & Hotels Limited		
100,398 ordinary shares of KShs.20 each	2	2
Less provision	(2)	(2)
	-	-

The holding in African Tours & Hotels Limited represents 20.1% of the issued ordinary share capital of the company. The company has been placed under receivership. A provision has been made for the investment.

(c) Other Investments

The company holds 152,914 (1999 - 90,935) shares in Equant.

Equant is a cooperative registered in Belgium and owned by airlines for provision of communication services for its airline members. The individual airline's shareholding in Equant is determined by the level of utilization of its services by that airline. This is a notional investment with no corresponding costs in the accounts.

13. DEFERRED ASSETS	2000	1999
	KShs million	KShs million
Seychelles	-	237
Sudan	-	68
	-	305
Provision	-	(53)
	-	252

These were bank and cash balances held overseas in currencies which were not readily available and remittable.

In the case of Seychelles a provision for the balance was made in the previous year to recognise potential loss to the extent to which the directors were of the opinion that the funds may not have been available for use by the company. The government of the Seychelles has now implemented a new remittance formula which if honoured will ensure the successful remittance of the outstanding balances. Consequently the provision held in the previous year of KShs 53 million has now been written back to profit and loss account in the current year.

In the case of Sudan the amounts held in the local currency can now be utilised for payment of fuel uplifts which are substantial expenditures.

14. DEPOSITS

Long term deposits were as follows as at 31 March:

	2000	1999
	KShs million	KShs million
Deposits for long term operating lease of aircraft	164	119
Deposits towards acquisition of aircraft	398	-
	562	119

Notes to the Accounts

for the year ended 31 March 2000

14. DEPOSITS (continued)

Current year deposits relate to the long term lease of two A-310 aircraft and monies paid to Boeing towards acquisition of two Boeing 737-700 and three Boeing 767-400 aircraft to be delivered between December 2002 and September 2004. The previous year deposit related to the long term lease of one Airbus A310.

15. INVENTORIES

Inventories consisted of the following as of 31 March:

	<i>The Group</i>		<i>The Company</i>	
	2000 KShs million	1999 KShs million	2000 KShs million	1999 KShs million
Aircraft rotables	356	496	356	496
Aircraft consumable stocks	463	425	463	425
Other stocks	307	327	304	324
	1,126	1,248	1,123	1,245
Amortization				
- Aircraft rotables	(219)	(253)	(219)	(253)
Provisions - Other stocks	(67)	(47)	(67)	(47)
Spares - Credit	-	(17)	-	(17)
	840	931	837	928

Fokker 50 stocks are included in the accounts as at 31 March 2000 at their estimated net realisable value of KShs 75 million. The aircrafts were sold in the year and the related stocks are to be sold.

There was a total writeback of provisions for obsolescence of KShs 11 million in the year, relating to aircraft disposed of in prior years. These are now carried at cost as the net realisable value, as determined by competitive bidding, is above cost.

16. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

Trade, other receivables and prepayments consisted of the following as of 31 March:

	<i>The Group</i>		<i>The Company</i>	
	2000 KShs million	1999 KShs million	2000 KShs million	1999 KShs million
Trade - Airlines	1,569	957	1,569	957
Trade - Agents	994	706	994	706
Trade - Government				
Ministries & Parastatals	19	59	19	59
Trade - Others	910	655	890	635
Other debtors	63	17	63	17
Prepayments	327	470	327	470
Insurance proceeds receivable	3,000	-	3,000	-
	6,882	2,864	6,862	2,844

Insurance proceeds receivable represent the insurance proceeds of US\$ 40 million received after year end in respect of the accident aircraft as disclosed in Note 7.

Notes to the Accounts

for the year ended 31 March 2000

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were as follows as of 31 March:

	<i>The Group</i>		<i>The Company</i>	
	2000 KShs million	1999 KShs million	2000 KShs million	1999 KShs million
Cash on hand and at bank	2,136	954	2,004	871
Short term deposits	1,870	1,251	1,636	1,093
Treasury bills	350	-	350	-
	4,356	2,205	3,990	1,964

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

	<i>The Company</i>	
	2000 KShs million	1999 KShs million
Cash on hand and at bank, short term deposits and treasury bills	4,356	2,205
Bank overdrafts	-	(266)
	4,356	1,939

Short-term deposits have an average maturity of 30 to 90 days and effective interest rates of 6.05% to 13.43% (1999: 4.75% - 14%) depending on the country where the deposit has been placed.

18. SHARE CAPITAL

	2000 KShs million	1999 KShs million
Authorised:-		
1,000,000,000 ordinary shares of KShs 5 each	5,000	5,000
Issued and fully paid		
461,615,484 ordinary shares of KShs.5 each	2,308	2,308

19. RESERVES

(a) The Group

	2000	1999
Balance brought forward	4,208	4,199
Cummulative effect of change in accounting policy	-	(959)
Restated balance	4,208	3,240
Net exchange movement for the year	(48)	(25)
Exchange movement on disposals	(1,549)	-
Net gains not recognised in the income statement	(1,597)	(25)
Net profit for the year	2,922	993
Dividends (Note 9)	(577)	-
Balance carried forward	4,956	4,208

Notes to the Accounts

for the year ended 31 March 2000

19. RESERVES (continued)

Cumulative effect of change in accounting policy

The prior year adjustment arose from the adoption of International Accounting Standards (IAS) in the year and specifically deferred tax as provided in IAS 12, Income Taxes.

Net exchange movement for the year

Net exchange movement is the net difference arising from the translation of aircraft costs and related depreciation, and related foreign currency loans taken directly to reserves.

Exchange movement on disposals

These relate to cumulative translation effect taken direct to equity for the aircraft disposed of in the year, which were financed in foreign currency (see Note 11).

	2000 KShs million	1999 KShs million
(b) The Company		
Balance brought forward	3,784	4,042
Cumulative effect of change in accounting policy	-	(959)
Restated balance	3,784	3,083
Net exchange movement for the year	(48)	(25)
Exchange movement on disposals	(1,549)	-
Net gains not recognised in the income statement	(1,597)	(25)
Net profit for the year	2,795	726
Dividends (Note 9)	(577)	-
Balance carried forward	4,405	3,784

Cumulative effect of change in accounting policy

The prior year adjustment arose from the adoption of International Accounting Standards (IAS) in the year and specifically deferred tax as provided in IAS 12, Income Taxes.

Net exchange movement for the year

Net exchange movement is the net difference arising from the translation of aircraft costs and related depreciation, and related foreign currency loans taken directly to reserves.

Exchange movement on disposals

These relate to cumulative translation effect taken direct to equity for the aircraft disposed of in the year, which were financed in foreign currency (see Note 11).

Notes to the Accounts

for the year ended 31 March 2000

20. INTEREST-BEARING LOANS AND BORROWINGS

At 31 March short and long-term interest-bearing loans and borrowings were as follows:

Short-term		2000	1999
		KShs million	KShs million
Bank overdrafts		-	266
These were book overdrafts and were not secured.			
Long-term		2000	1999
	Currency	Average interest rates	Maturities
		KShs million	KShs million
Credit Lyonnais	USD	7.4%	2000
Eximbank loans	USD	6.6%	2010-2011
		6,909	6,562

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

- i) Credit Lyonnais Bank - Nederland loan was guaranteed by the Government of Kenya and was repayable in twelve years from June 1990. The loan has been repaid in full.
- ii) Eximbank loans are repayable in twelve years from dates of disbursement and are secured by a charge on the respective aircraft. The loans were advanced to Simba Finance Limited by Private Export Funding Corporation and are guaranteed by Export-Import Bank of the United States (Eximbank). The aircraft are registered in the name of Simba Finance Limited, a company wholly owned by Eximbank.

Maturities of amounts included in non-current borrowings is as follows:

	2000	1999
	KShs million	KShs million
Within one year	513	514
After one year	6,396	6,048
	6,909	6,562

The interest rate exposure of the total borrowings of the group is as follows:

	2000	1999
	KShs million	KShs million
Fixed rate borrowings	6,909	6,562
Floating rates borrowings	-	-
	6,909	6,562

Credit line facilities

The Group has a contingent multi-currency uncommitted money market line based on the interbank money market rates worth KShs 200 million with a back-up committed multi-currency line worth KShs 330 million for overdraft purposes. All are undrawn and are for periods of one year, renewable.

Notes to the Accounts

for the year ended 31 March 2000

21. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes at 31 March related to the following:

	2000	Charged/(credited) to profit and loss account	1999
	KShs million	KShs million	KShs million
Deferred tax liabilities			
Accelerated tax depreciation	1,229	364	865
Asset revaluations	683	(172)	855
Gross deferred tax liabilities	1,912	192	1,720
Deferred tax assets			
Tax losses carried forward	348	(8)	340
Provisions and other deferred tax assets	470	(263)	207
Gross deferred tax assets	818	(271)	547
Net deferred tax liability	1,094	(79)	1,173

22. TRADE AND OTHER PAYABLES

Trade and other payables were as follows as of 31 March:

	<i>The Group</i>		<i>The Company</i>	
	2000	1999	2000	1999
	KShs million	KShs million	KShs million	KShs million
Trade payables	1,002	542	994	542
Other payables and accruals	4,791	1,389	4,735	1,333
	5,793	1,931	5,729	1,875

Included in other payables and accruals are amounts of KShs 1,965 million (1999 - Nil) and KShs 68 million (1999 - Nil) due to KLM being accruals for lease rentals of a B767 aircraft to replace the accident aircraft and payments made on behalf of Kenya Airways Limited in Abidjan subsequent to the accident, respectively.

23. PROVISIONS FOR LIABILITIES AND OTHER CHARGES

The provisions are in respect of major maintenance of aircraft airframes and engines. The activities in the provisions account can be analysed as follows:

	Kshs million
At 31 March 1999	529
Additional provisions	120
Reversal for unused accrual	(104)
Amounts utilised during the year	-
Balance at end of year	545

The reversal for unused accrual was in respect of an A-310 aircraft that crashed off the Coast of Abidjan (Note 7).

Notes to the Accounts

for the year ended 31 March 2000

24. CASH GENERATED FROM OPERATIONS

	2000 KShs million	1999 KShs million
Net profit before tax	2,853	1,425
Adjustments for:		
Depreciation	440	391
Interest income	(287)	(174)
Interest expense	523	369
Write off of fixed assets	269	-
Gain on disposal of investment and fixed assets	(1,049)	(584)
Operating profit before working capital changes	2,749	1,427
Receivables and prepayments	(4,018)	(628)
Inventories	91	(116)
Sales in advance of carriage	255	141
Creditors, accruals and provisions	3,878	457
Deferred assets	252	(174)
	3,207	1,107

25. CAPITAL EXPENDITURE COMMITMENTS

The Company has purchase commitments for aircraft fleet, plant and equipment incidental to the ordinary course of business as follows:

	2000 KShs million	1999 KShs million
Authorised and contracted for	25,177	22
Authorised but not contracted for	1,800	137

The commitments authorised and contracted for include two B737-700 aircraft, and three B767-400 aircraft scheduled for delivery between 2002 and 2004.

The commitments authorised but not contracted for include:

	2000 KShs million	1999 KShs million
New headquarters	500	-
JKIA Hub	200	-
IT/Computer infrastructure	650	-
Ramp equipment	150	-
Others	300	-
	1,800	-

Notes to the Accounts

for the year ended 31 March 2000

26. OPERATING LEASE COMMITMENTS

Rental expenses principally for fleet, was KShs 971 million and KShs 687 million for the years ended 31 March 2000 and 1999, respectively.

Future minimum rentals under non-cancelable leases are as follows as of 31 March:

	2000	1999
	KShs million	KShs million
Within one year	1,069	758
After one year but not more than five years	10,586	1,492
More than five years	4,809	-
	16,464	2,250

The fleet leasing commitments include the balance of rental obligations under operating leases in respect of various aircraft.

In addition to the above, the company has leased a Boeing 767-300 from KLM under a "wet lease" arrangement for the period February 2000 to July 2001. The lease charges are based on block hours flown.

27. CONTINGENCIES

Contingent liabilities and litigation

- (i) The company has given guarantees to various third parties amounting to KShs 70 million. In the opinion of the directors, no liability is expected to arise in respect of the guarantees.
- (ii) East African Safari Air (EASA) a local charter airline has applied to the High Court for judicial review of Government's decision reversing an earlier alleged authorisation by Government for EASA to be the designated national airline on a number of routes between Kenya and Europe in place of Kenya Airways. Kenya Airways is joined in the lawsuit as an interested party. In its response to the application of EASA, Kenya Airways is questioning the legality of the purported designation and is also relying on the aviation policy commitments by Government to the shareholders in answer to the case pleaded by EASA.
- (iii) Some 964 former employees of the company who were declared redundant in 1990 allege through a lawsuit in the High Court that they were not paid all their dues and that the redundancy was unlawful and claim compensation amounting to KShs.2.6 billion. The claim is being resisted in court. Legal opinion received indicates that the claim is resisted on good grounds.
- (iv) A claim for KShs. 27,123,583 in damages for alleged breach of contract to lease a B707 aircraft was filed against the company in 1981. The High Court dismissed the claim in May, 2000. The plaintiff has appealed against the dismissal.
- (v) Two shareholders have filed a lawsuit against the company, the government, KLM and the Directors alleging that certain agreements between government and KLM and the company and KLM were not made available for scrutiny during the offer period for purchase of shares in the initial public share offer. They seek compensation from government, the Directors and the company for losses allegedly arising from the decline in the share price. They also want the shareholders agreements between government and KLM nullified. The company maintains it made substantial material disclosure of these agreements in the prospectus and that it complied fully with the law. The plaintiffs application to be allowed by the High Court to sue on these claims on behalf of all the other shareholders of the company was dismissed by the High Court.
- (vi) African Airlines International has filed a claim against the company for an amount of USD 2,460,846 allegedly due to them on account of aircraft maintenance and lease services rendered to the company. The company has filed a defence denying the alleged indebtedness.

Notes to the Accounts

for the year ended 31 March 2000

- (vii) In the ordinary course of business, the Company and its subsidiaries are defendants or co-defendants in various litigation and claims. Although there can be no assurances, the Company believes, based on information currently available, that the ultimate resolution of these legal proceedings would not likely have a material 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.
- (viii) Contingencies in respect of the company's wholly owned subsidiary, Kenya Airfreight Handling Limited are as follows:-
- A claim for USD 1 million for packages that were lost at Kenya Airfreight Handling Limited has been filed against the company. The packages were allegedly released to the wrong person.
 - A claim for USD 405,000 plus damages, being value of consignment allegedly released to the wrong consignee, has been filed against the company.

These claims have not been provided for in the accounts as in the opinion of the directors, the claims are unlikely to crystallise.

Contingent assets

- (i) The company obtained a judgement against African Airline International in 1993 for maintenance services rendered for KShs 3.5 million, which the judgement debtor has refused to pay. Steps are in the pipeline to execute the judgement.
- (ii) The company obtained a judgement against Captain Musa Bulhan for KShs 21 million in 1995 which has been difficult to collect. Further proceedings have been filed to execute the decree and secure payment.

28. RELATED PARTY TRANSACTIONS

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

KLM

- (i) KLM has 26% equity investment in Kenya Airways Limited, and has a 'Joint Venture Arrangement' with Kenya Airways limited which started 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, Amsterdam and London.

As is common throughout the airline industry, Kenya Airways and KLM from time to time carry each other's passengers travelling on the other airline's tickets. The settlement between the two carriers is actioned through IATA Clearing House, of which both airlines are members.

- (ii) Kenya Airways Limited has leased from KLM a Boeing 767 to replace the aircraft involved in the accident. The lease charges are based on an arms length lease agreement.

In addition to the above, the group also has transactions with related parties which are conducted in the normal course of airline business. These include the provision of airline and related services.

Notes to the Accounts

for the year ended 31 March 2000

29. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Interest rate risk

Current borrowings are at fixed rates averaging 6.6% p.a. Investments made by the Group in various international banks generated interest income that covered the cost of borrowing by 59% in the year 2000 compared to 51% in the previous financial year.

Foreign currency Risk

Over 90% of the monies earned by Kenya Airways are in hard and convertible currencies.

Credit risk

The Board has set limits for investing in specified banks and financial institutions.

30. COMPARATIVES

Prior year comparatives have been restated to conform with changes in the presentation in the current year, as follows:-

- (i) To take into account the effect of adoption of IAS 12 income taxes, and specifically deferred tax.
- (ii) Presentational changes in the profit and loss, specifically:-
 - a) Sita communication charges of KShs 215 million has been reclassified to direct costs from overheads expenses as this is considered the appropriate classification.
 - b) Costs related to operation of Eagle Aviation arrangement of KShs 223 million has been reclassified from direct costs to offset related revenue as Kenya Airways earns a fee from the franchise operations.
 - c) Commissions receivable of KShs 162 million has been reclassified from revenue to offset commission costs.
 - d) Profit on disposal of fixed assets of KShs 6 million is now separately disclosed as a non operating income in line with IAS.

Historic Summaries

for the years ended 31 March 2000

Group Profit and Loss

	2000	1999	1998	1997	1996
	KShs million	KShs million	KShs million	KShs million	KShs million
Turnover	17,840	12,834	11,648	10,712	10,048
Operating Expenditure	16,157	(11,885)	(10,291)	(9,353)	(8,544)
Operating Profit	1,683	949	1,357	1,359	1,504
Net Interest Payable	(523)	(369)	(291)	(149)	(171)
Net Interest Receivable	287	174	238	203	267
Exchange Gains (Losses)	252	87	132	(323)	400
Disposal of Shares	1,154	584	-	-	-
Profit before taxation and exceptional items	2,853	1,425	1,436	1,090	2,000
Taxation	69	(432)	(122)	(239)	(170)
Exceptional items	-	-	-	-	(411)
Net Profit for the year	2,922	993	1,314	851	1,419
Dividends	(577)	-	(461)	(346)	-
Transfer from capital reserve	-	-	95	108	108
Retained profit for the year	2,345	993	948	613	1,527
Earnings per share after tax (KShs)	6.33	2.15	2.85	1.84	3.07
Dividends per share (KShs)	1.25	-	1.00	0.75	-

Privatisation of the company took place during July 1996. Historic information is for records only. Pre-privatisation exceptionals include the back date payment to pilots (1996).

Historic Summaries

for the years ended 31 March 2000

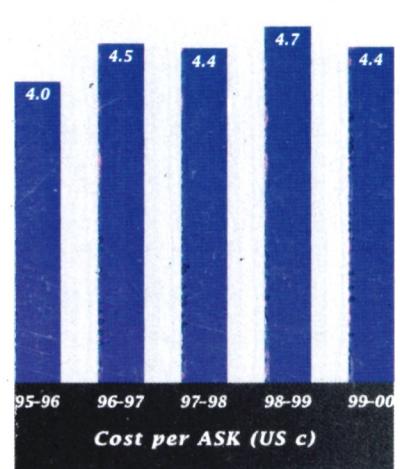
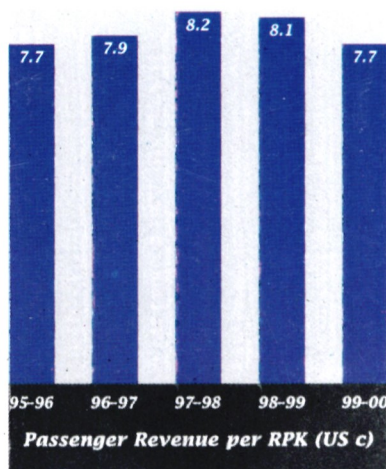
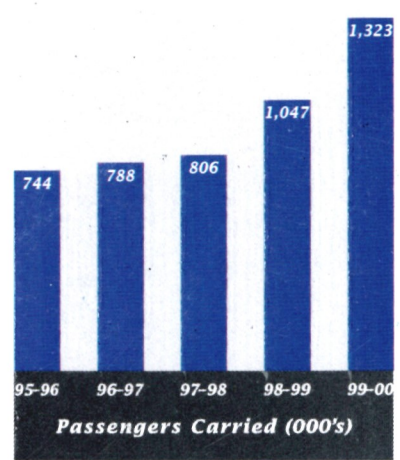
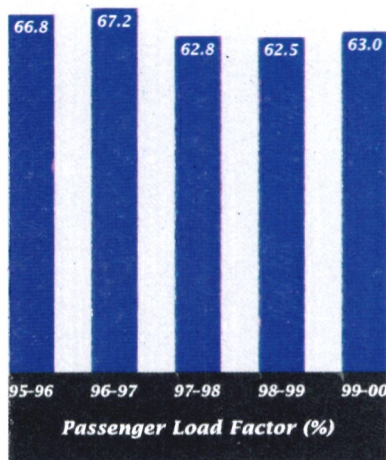
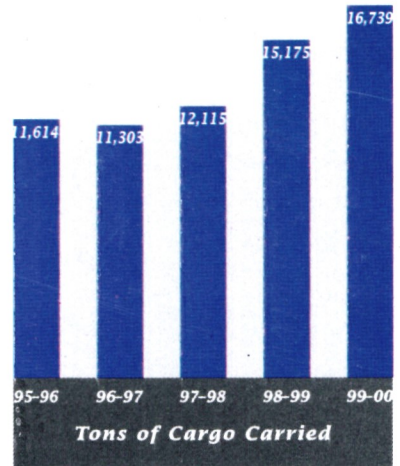
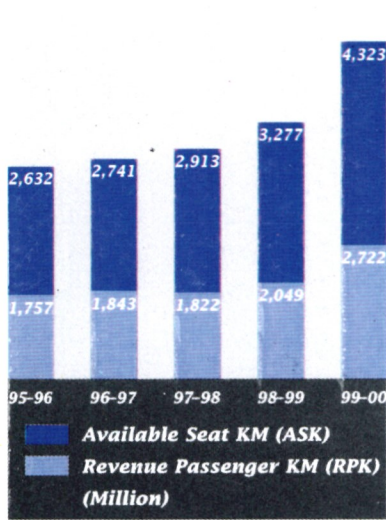
Group Balance Sheet

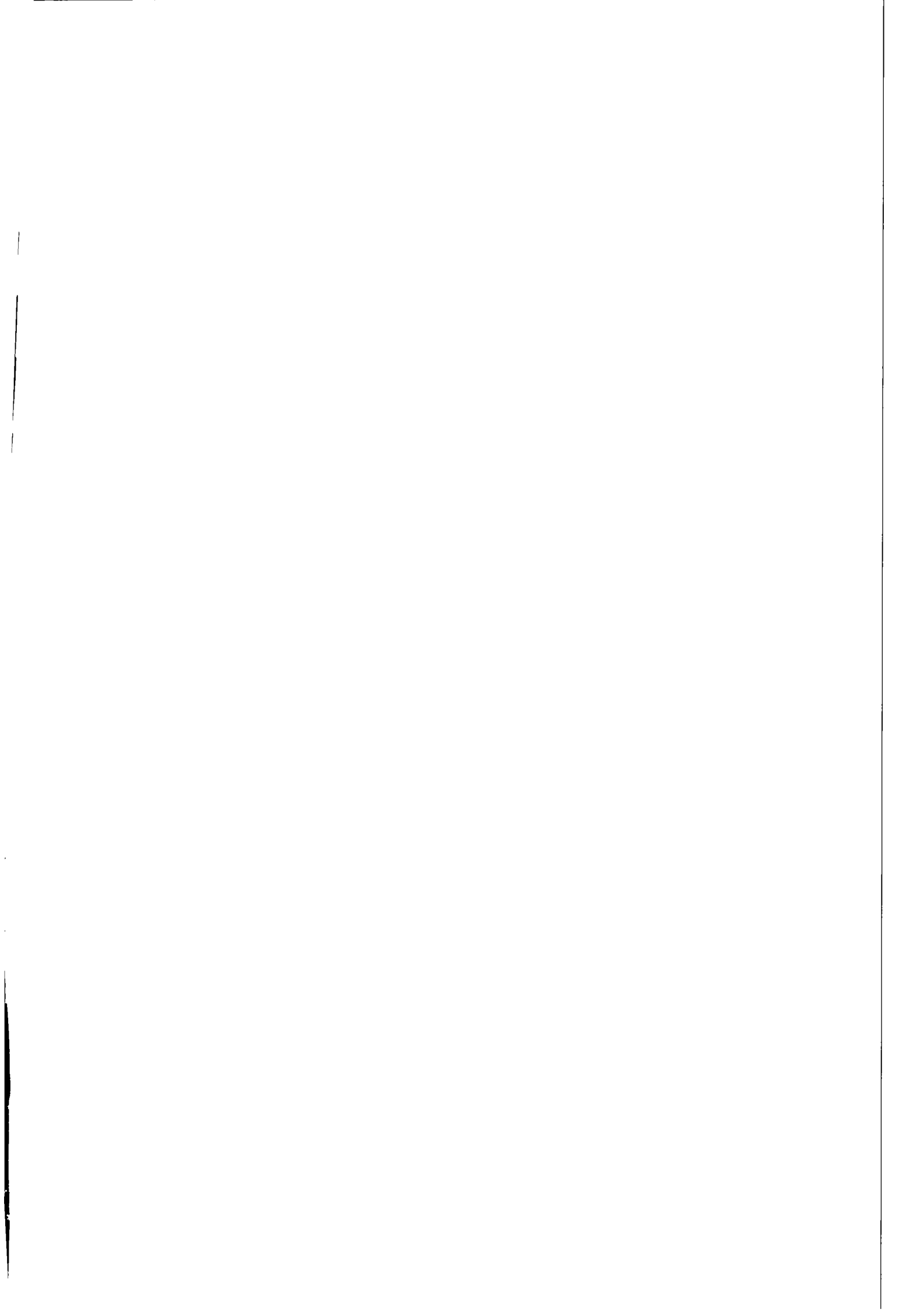
	2000	1999	1998	1997	1996
	KShs million	KShs million	KShs million	KShs million	KShs million
ASSETS					
Non-current assets					
Property, plant and equipment	10,120	11,244	7,348	5,692	4,530
Investments/Deposits	562	371	1,140	973	147
	10,682	11,615	8,488	6,665	4,677
Current Assets					
Inventories	840	931	815	626	477
Receivables and prepayments	7,062	2,960	2,307	1,737	1,351
Cash and cash equivalents	4,356	2,205	1,782	2,163	3,608
	12,258	6,096	4,904	4,526	5,436
Total Assets	22,940	17,711	13,392	11,191	10,113
Equity and Liabilities					
Share capital	2,308	2,308	2,308	2,308	2,308
Reserves	4,956	4,208	4,199	3,613	3,301
Total Equity	7,264	6,516	6,507	5,921	5,609
Non-current liabilities					
Interest bearing loans	6,909	6,562	3,580	2,088	1,445
Deferred taxation	1,094	1,173	-	-	-
	8,003	7,735	3,580	2,088	1,445
Current liabilities					
Sales in advance of carriage	989	734	593	568	558
Trade and other payables	5,793	1,931	1,955	2,243	2,244
Other	891	795	757	371	257
	7,673	3,460	3,305	3,182	3,059
Total Equity and Liabilities	22,940	17,711	13,392	11,191	10,113
Group Cash Flow Statement					
Net cash from operating activities	3,079	749	995	521	2,249
Net cash from investing activities	686	(2,449)	(2,333)	(2,487)	(54)
Net cash from financing activities	(1,348)	2,038	852	548	(843)
Net Increase/(Decrease) in cash and cash equivalents	2,417	338	(486)	(1,418)	1,352

Privatisation took place during July 1996 at which time a restructuring of the balance sheet took place. Historic comparatives have not been restated.

Operating Statistics

for the year ended 31 March 2000





KENYA AIRWAYS LIMITED

PO Box 19002 Nairobi, Kenya ■ Tel: 252 2 823 000 ■ Fax: 252 2 823 488

www.kenya-airways.com