



Kenya Airways

The Pride of Africa

Annual Financial Report & Accounts

2005/06

CMA H&P

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9883.5
K46 K469
2006
C2



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Kenya Airways -- Periodicals
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Highlights of the Year and operating statistics

Group Results

Turnover (KShs Millions)

Up 25.0%

2005 - 2006

52,804

2004 - 2005

42,234

Operating profit (KShs Millions)

Up 16.9%

2005 - 2006

7,703

2004 - 2005

6,589

Profit Before Tax (KShs Millions)

Up 26.1%

2005 - 2006

6,960

2004 - 2005

5,520

Net Profit (KShs Millions)

Up 24.4%

2005 - 2006

4,829

2004 - 2005

3,882

Capitals & Reserves (KShs Millions)

Up 39.8%

2005 - 2006

17,257

2004 - 2005

12,340

Earning Per Share (KShs)

Up 24.4%

2005 - 2006

10.45

2004 - 2005

8.40

Key Financial Statistics

Debt to Equity Ratio

Up 0.3 times

2005 - 2006

1.3

2004 - 2005

1.0

Operating Margins (%)

Down 1.0%

2005 - 2006

14.6

2004 - 2005

15.6

Interest Cover

Down 2.2 times

2005 - 2006

5.3

2004 - 2005

7.5

EBITDAR Margin (%)

Down 0.5%

2005 - 2006

27.2

2004 - 2005

27.7

Operating Statistics

2007/0188

Passengers Carried

Up 16.9%

2005 - 2006

2,386,253

2004 - 2005

2,041,487

Available Seats KM (Millions)

Up 19.9%

2005 - 2006

8,945

2004 - 2005

7,461

Revenue Passengers KM (Millions)

Up 17.9%

2005 - 2006

6,635

2004 - 2005

5,627

Cabin Factor (%)

Down 1.2%

2005 - 2006

74.2

2004 - 2005

75.4

Cargo Uplifted (Tons)

Up 24.1%

2005 - 2006

55,093

2004 - 2005

44,405



Wisdom can be found in travelling.

Proverb
from
India



Notice to the Annual General Meeting 2006

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of the Company will be held at the Bomas of Kenya, Langata Highway / Forest Edge Road, Nairobi on Friday 25 August 2006 at 11.00 am to conduct the following business:

- 1 To table the proxies and note the presence of a quorum.
- 2 To read the notice convening the meeting.
- 3 To consider and, if approved, adopt the Balance Sheet and Accounts for the year ended 31 March 2006 together with the Directors' and Auditors' Reports thereon.
- 4 To declare a final dividend of KShs 1.75 per share for the financial year ended 31 March 2006 and approve the closure of the Register of Members from the close of business on 25 August 2006 upto and including 29 August 2006.
- 5 To elect Directors:
 - a) Dr Gerrishon Ikiara retires by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, offers himself for re-election.
 - b) Mr Micah Cheserem retires by rotation in accordance with Article 84 of the Company's Articles of Association and, being eligible, offers himself for re-election.
- 6 To approve the Directors remuneration.
- 7 To authorise the Directors to fix the remuneration of the Auditors, Deloitte & Touché.

BY ORDER OF THE BOARD

Fiona C Fox
Secretary
P.O.Box 41968
NAIROBI
Date: 30 May 2006

Notes:

1. Any member may by notice duly signed by him or her and delivered to the Secretary, Chunga Associates, 7th floor, The Rahimtulla Tower, Upper Hill Road, PO Box 41968, GPO 00100, Nairobi, not less than 7 and not more than 21 days before the date appointed for the Annual General Meeting, give notice of his intention to propose any other person for election to the Board, such notice is to be accompanied by a notice signed by the person proposed of his or her willingness to be elected. The proposed person need not be a member of the company.
2. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is attached to this notice, must be duly completed and signed by the member and must either be lodged at the offices of the company's share registrars, Barclays Advisory & Registrar Services, Bank House, Moi Avenue, PO Box 30120, GPO 00100, Nairobi or be posted, so as to reach Barclays Advisory & Registrar Services not later than Thursday 24 August 2006 at 11.00 am.

Tangazo la Mkutano Mkuu wa mwaka 2006



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ILANI INATOLEWA KWAMBA mkutano mkuu wa 30 wa kila mwaka utafanyika kwenye ukumbi wa Bomas of Kenya kwenye barabara ya Langata/Forest Edge, Nairobi mnamo siku ya Ijumaa tarehe 25 Agosti mwaka 2006 kuanzia saa tano kamili asubuhi ili kuendesha shughuli zifuatazo:

1. Kuorodhesha majina ya wawakilishi wenyehisa na kujua idadi ya waliohudhuria mkutano.
2. Kusoma ilani ya kuitisha mkutano.
3. Kupokea na kuthibitisha na, ikithibitishwa, kukubali taarifa za kifedha za mwaka uliomalizika tarehe 31 Machi 2006 pamoja na Taarifa za Wakurugenzi na Wakuguzi wa hesabu.
4. Kutangaza mgawo wa faida wa mwisho wa Ksh 1.75 kwa kila hisa kwa mwaka uliomalizika tarehe 31 Machi 2006 na kuthibitisha kufungwa kwa jarida la wenyehisa waliosajiliwa hadi kufikia kufungwa kwa shughuli za kazi Ijumaa tarehe 25 Agosti 2006 pamoja na Jumanne tarehe 29 Agosti mwaka 2006.
5. Kuchagua Wakurugenzi:
 - (a) Dkt Gerishon Ikiara anastaafu kwa zamu kulingana na kifungu 84 cha Kanuni za kampuni, anajitolea kuchaguliwa tena kuwa Mkurugenzi.
 - (b) Bw Micah Cheserem anastaafu kwa zamu kulingana na kifungu 84 cha Kanuni za kampuni, anajitolea tena kuchaguliwa kuwa Mkurugenzi.
6. Kuidhinisha malipo ya Wakurugenzi.
7. Kuwaruhusu Wakurugenzi kuamua malipo ya Wakaguzi wa Hesabu, Deloitte & Touché.

KWA AMRI YA BODI YA WAKURUGENZI

Fiona C Fox
Katibu
P.O.Box 41968
NAIROBI
Tarehe: 30 Mei 2006

ILANI:

1. Mwenyehisa yoyote anaweza kumpendekea Mkurugenzi amtakaye kuchaguliwa katika Bodi ya Wakurugenzi wa shirika, kwa ilani yenye sahihi yake, kufikishwa kwa Katibu, Chunga Associates, ghorofa ya 7, Jumba la Rahimtulla Tower, barabara ya Upper Hill, P O Box 41968, GPO 00100, Nairobi, katika muda usiopungua siku saba na usiozidi siku 21 kabla ya siku ya mkutano mkuu, ilani hiyo lazima iambatane na nyengine yenye sahihi ya mtu aliyependekezwa kuthibitisha amekubali kuchaguliwa. Anayependekezwa si lazima awe mwanahisa wa kampuni.
2. Mwenyehisa anayeruhusiwa kisheria kuhudhuria mkutano mkuu wa kila mwaka na kupiga kura lakini hana nafasi ya kufika ana haki kisheria kumchagua mtu atakayehudhuria mkutano na kumpigia kura kwa niaba yake. Mwakilishi huyo si lazima awe na hisa kwenye shirika. Ili kukubaliwa, fomu ya mwakilishi huyo iliyoshikanishwa na tangazo hili, lazima ijazwe na kusainiwa na Mwenyehisa na ipelekwe kwa Msajili wa Hisa za Shirika, Barclays Advisory & Registrar Services, Jumba la Bank House, barabara ya Moi Avenue, P O Box 30120, GPO 00100, Nairobi au kupitia njia ya posta ili ifike Barclays Advisory & Registrar Services kabla ya saa tano asubuhi siku ya Alhamisi tarehe 24 Agosti mwaka 2006.



Board of Directors



from top to bottom: Mr. Titus Naikuni, Mr. Ayisi Makatiani,
 Ms. Fiona C. Fox, Mr. Henny Essenberg,
 Mr. Micah Cheserem, Mr. Dennis Afande,
 Mr. Jos Veenstra, Mr. Neil Canty,
 Mr. Joseph Kinyua, Mr. Dinesh Kapila,
 Dr. Gerrishon K. Ikiara, and Mr. Evanson Mwaniki



Not included in
 the main picture:
 Mr. Peter F. Hartman





Board of Directors

Mr. Henny Essenberg - Non-Executive Director

Mr. Essenberg, aged 59 years, joined KLM in 1970 after completing his studies in Economics at the University of Rotterdam. His career with KLM started with various ICT functions during the 70s. Between 1980 and 1990 he fulfilled different positions in KLM's Commercial organisation until he ultimately took on the responsibility of KLM's Revenue Management.

In 1990 he moved to KLM's Cargo Division as Vice President Cargo Services, a position he held for 5 years. He was appointed Managing Director of Air UK in 1995 and served in that post in the UK until 1999 when he returned to KLM as Executive Vice President Passenger Business. In this capacity, Mr. Essenberg was involved in the preparations for the cooperation between KLM and Air France. He finished his active career with KLM as Project Manager for the Merger Between KLM and Air France, which was successfully implemented in 2004.

He was appointed to the Kenya Airways Board in November 2002.

Mr. Dennis D. Afande - Non-Executive Director

Mr. Afande, aged 69 years, was appointed to the Board on 26 th November 2004. For many years Denis was a career diplomat, served in various positions including Ambassador to the United States of America and United Nations, Geneva.

He also served as Permanent Secretary (Ministries of Home Affairs and Health). He is currently the Chairman of The National Council for Children Services and a member of several other charitable organizations.

Mr. Joseph Kinyua - Non-Executive Director

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

Mr. Ayisi Makatiani - Non-Executive Director

Mr. Makatiani, aged 39 years, has extensive management experience and operational knowledge of African markets. He holds a Bachelors degree in Electrical and Electronics Engineering from Massachusetts Institute of Technology (MIT). He is currently Managing Director and Chief Executive Officer of African Management Services Company. He has previously served as Managing Partner of Gallium Partners Investments, Non-executive chairman of MCI/UUNET Africa and Founder and Chief Executive Officer of Africa Online Holdings

Mr. Makatiani has been voted among the leading top 15 CEOs in East Africa, three years in a row, in the Annual PricewaterhouseCoopers - Nation Media Group survey of the top CEO's in Kenya, Uganda, Tanzania and Rwanda.

Mr. Jos Veenstra - Alternate Non-Executive Director

Mr. Veenstra, aged 39 years, is a Chartered Accountant. After completing his studies in Business Economics at the University of Groningen in 1991 he worked with KPMG as an auditor. He joined KLM in 1996. He has served in various financial positions for KLM in the Netherlands. During the last four years, he was Vice President Finance and Control for the Engineering and Maintenance division of KLM. He is currently also a board member for KLM Ground Services Limited as well as KLM UK Engineering Limited. Currently he is the Holdings Manager for KLM and responsible for the monitoring of KLM's corporate holdings.

*What is culture, after all, if not
a series of acts of communication.*

Proverb
from
West Africa

Kenya Airways
Passenger ticket
Baggage check





The Chairman's Statement

I am delighted to report another successful financial year for Kenya Airways. Despite the numerous challenges including soaring fuel prices and increased competition, your airline has continued to record strong performance and growth.

Industry Overview

According to the International Air Transport Association (IATA), the aviation industry is returning to a more normal growth pattern after the shocks that began in 2001. There is a general consensus that the industry must sustain focus on fuel efficiency and keeping costs under control to enable it return to profitability.

Full-year traffic results for 2005 released by IATA indicate that international passenger traffic grew by 7.6% in 2005 while international freight traffic increased by 3.2%.

Regionally, Latin America and the Middle East reported double-digit passenger traffic growth in 2005 at 11.4% and 13.1% respectively. Load factors also improved by 0.9% to 75.1% year on year.

IATA reports that despite this growth, the industry lost US\$6 billion in 2005. US airlines lost US\$10 billion, European carriers made US\$1.3 billion and Asian Carriers earned US\$1.5 billion. In March 2006, the revised forecast for airline financial performance released by IATA reflects a loss of US\$2.2 billion in 2006 if fuel prices average at US\$57 a barrel. Thereafter, barring any unforeseen negative external events and based on crude oil prices of US\$52 per barrel on average, the industry could swing to net profit in 2007.

Clearly, the price of oil remains the single biggest challenge for airline profitability. Strong demand gives little hope of significantly reduced prices in the near future.

Africa

Real GDP growth in sub Saharan Africa was projected to accelerate in 2005 and 2006, rising to 3.7% in 2006. In 2004, GDP grew by 3.2%. This was mainly due to the rebound in world economy, debt relief measures in favour of many African countries, increased agricultural production, increased prices of major commodities, as well as continued implementation of sound macro-economic policies and reform programmes. However, the growth rate was not sufficient to meet the Millennium Development Goals (MDGs) of halving poverty by 2015. The World Bank (2000) estimates that an annual average growth of about 7% would be needed to achieve this goal.

Growth in oil exporting countries was strong while on the overall, oil importing Sub-Saharan countries suffered a GDP terms of trade loss, as the negative effect of high oil prices more than offset the positive effect of higher agricultural and metal prices.

Establishing a positive investment climate in Africa is increasingly important as HIV/AIDS, Malaria and other infectious diseases are poised to undermine Africa's economic growth for the next 15 years. Existence of food insecurity, political instability and civil wars in various Sub-Saharan countries has tended to adversely affect the growth rate.

Environmental awareness and the desire for eco-tourism dollars are an increasingly important factor as decision makers in Africa seek to develop and expand their economies.

Kenya

Real GDP growth in 2005 was projected to increase by 5.8% from 4.9% in 2004 and 2.8% in 2003. The increase was attributed to improved performance in various sectors of the economy particularly tourism, agriculture, telecommunications, energy and construction. The economic outlook for 2006 remains good, with prospects of favourable weather conditions that began materializing with the onset of the long rains.

The Chairman's Statement

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The average annual underlying inflation was 5.1% which was above prior year's rate of 4.4% reflecting effects of increase in international crude oil prices and the effects of drought on food prices during the year. The shilling appreciated against major world currencies, while on the regional front, the shilling strengthened against the Uganda and Tanzania shillings. Export earnings accelerated in 2005 following higher volumes in some sectors like tea and horticulture, and higher prices in others like the coffee sector.

Lending to the private sector grew by 11.6% compared to 24.4% in the previous year, while domestic credit declined to 23.2% from 26.4% in the previous year, reflecting a reduction in Government borrowing from the domestic money market. Most of the private sector credit expansion was in business services, consumer durables, transport and communication, private households and real estate.

In the transport sector, passengers passing through JKIA increased by 11.1% in 2005. The increase is attributed to improved performance in the tourism sector and route expansion by Kenya Airways over the year.

Looking ahead, inflation is expected to be subdued over the foreseeable future in view of the improved weather conditions and continuous implementation of prudent monetary policy by the Central Bank which will ensure maintenance of low and stable underlying inflation, as well as enhanced stability in interest rates and the shilling exchange rate.

Tourism benefited from increased marketing in Europe and America and this trend is likely to continue as the new markets in Asia are tapped and the traditional markets in Europe and America are no longer subject to travel warnings.

Company Performance

Kenya Airways has sustained growing profitability in the financial year ended 31st March 2006 despite increased competition and historically high fuel prices in the year. This has primarily been due to continuing growth in passenger carryings on both new and existing routes whilst at the same time maintaining appropriate controls on costs.

The airline achieved another record profit after tax of Ksh 4,829m, being 24% above last year's result of KShs 3,882m. The net margin remained flat at 9.2%.

The passenger carryings in the year were a record high at 2.4m being 17% growth over prior year. This, coupled with increased passenger yield of 4% ensured growth in passenger revenue over the last financial year. Strong growth of 20% was experienced in Europe following the successful deployment there of the three Boeing 777 aircraft. The Middle East and Far East business continues to develop in this important and growing area. All African regions experienced increased passenger growth, West & Central Africa 26%, Southern Africa 22%, North Africa 21% and East Africa 5%. The Kenyan domestic network experienced 22% increased frequencies in response to increased passenger demand and realised a traffic growth of 25%. Cargo volumes experienced a substantial growth of 24% mainly due to increased cargo space available on the B777s and the increased deployment of the B767 in Africa.

The escalating global fuel prices impacted the year's result significantly as fuel cost was 57% above prior year, 43% of it owing to unit price increases, 17% due to increased volumes as result of growth in operations but partly mitigated by 5% movement in the KShs/US\$ exchange rate. The airline unit fuel price averaged 201usc/ag compared to prior year's 141 usc/ag.

Prospects

As the airline continues to expand, with five additional aircraft due for delivery within the next twelve months, the Board is cautiously optimistic that further growth in the business can be achieved, subject to unforeseeable issues, such as further increases in fuel prices.



The Chairman's Statement

Aeropolitics and Market Access

Although Kenya has consistently strived to honour the spirit and provisions of regional multilateral agreements to which we are a signatory, bilateralism and protectionism still continue to dictate Kenya's aviation relations with many African states. Thus, despite the existence of the East African Cooperation Treaty, Comesa, and the Yamoussoukro Decision, Kenya Airways' efforts and plans to expand our access within our natural market - Africa, are sometimes met with many frustrations. Some countries persistently postpone Kenya's overtures to conclude new or revised air transport agreements, while others decline the airline's plans to increase frequencies, existing agreements notwithstanding.

The prospects, however, are not altogether discouraging. Our plans to expand the network to many West and Central African nations have been, in many cases, received with a lot of enthusiasm by those countries, and we will, accordingly, continue to add new or additional flights to those destinations.

Our company's dedication to safety continues to be strong. Together with other industry players and the commitment of the Government through the Kenya Civil Aviation Authority, we are determined to make the industry even safer. In December last year we added a further mark of quality to Kenya Airways when we became only the third airline in Africa to be IATA Operational Safety Audit (IOSA) compliant. Africa has recently witnessed embarrassing politicization of safety when many of its airlines were blacklisted in Europe. Kenya Airways remains focused and committed to transparency at all levels to meet the expectation of safe travel held by our ever increasing passengers.

Shareholding

The number of shareholders on the Register of Members as at 31st March 2006 is 78,650. Out of these, 11,654 shareholders have immobilized their shareholding in favour of CDSC Nominees Limited and opened accounts on the Central Depository System. The shareholder profiles as at 31st March 2006 is on page 40.

Final Dividend

The Board is recommending approval by shareholders of a final dividend of KShs.1.75 per share, payable to the shareholders of the company on the Register of Members at the close of business on 25 August 2006 upto and including 29 August 2006, which will be paid on or around 29 September 2006.

Directors

The members of the Board who have served during the year are shown in the report of the Directors on page 44.

In accordance with the Company's Articles of Association, both Dr. Gerrishon Karimi Ikiara and Mr. Micah Cheserem retire by rotation at the 2006 AGM and being eligible, offer themselves for re-election.

EVANSON MWANIKI
CHAIRMAN



Nina furaha kuwatangazia mwaka mwengine wa mafanikio kwa shirika la Kenya Airways. Licha ya changamoto mbalimbali zilizotokea ikiwa ni pamoja na kupanda kwa bei ya mafuta na kuongezeka ushindani, shirika lenu limeendelea kuimarika na kupata ufanisi mkubwa.

Mtazamo wa kibiashara

Kulingana na Chama cha Safari za Anga Ulimwenguni(IATA), sekta ya safari za ndege ulimwenguni inarejelea hali yake ya kawaida baada ya misukosuko iliyoanza mwaka 2001. Kuna makubaliano kwamba sekta hii lazima iendeleo na muelekeo wake wa matumizi bora ya mafuta na kudhibiti matumizi ili iweze kurudi tena kwenye faida.

Matokeo kamili ya safari kwa mwaka 2005 yaliyotolewa na Chama cha IATA yameonyesha kwamba idadi ya wasafiri wa kimataifa iliongezeka kwa asilimia 7.6% huku usafirishaji wa kimataifa wa shehena ukiongezeka kwa asilimia 3.2%

Kimaeneo, sehemu ya Marekani Kusini na Mashariki ya Kati kiwango cha abiria kiliongezeka maradufu katika mwaka 2005 kwa asilimia 11.4% na asilimia 13.1%, mtawalia. Viwango vya shehena pia vilimarika kutoka asilimia 0.9% hadi kufikia asilimia 75.1% kutoka mwaka hadi mwaka.

Hata hivyo, Chama cha IATA kinaonya kwamba licha ya mafanikio haya, sekta ya safari za anga ilipoteza kiasi cha Dola za Kimarekani bilioni 6 mwaka 2005. Mashirika ya ndege ya Marekani yalipoteza kiasi cha Dola bilioni 10, mashirika ya bara Ulaya yalipoteza Dola bilioni 1.3 na yale ya bara Asia yakafaidika kwa kupata Dola bilioni 1.5. Mnamo mwezi Machi mwaka 2006, marekebisho ya makadirio ya utendakazi wa kifedha wa mashirika ya ndege yaliyotolewa na Chama cha IATA yanaonyesha hasara ya kitita cha Dola bilioni 2.2 kwa mwaka 2006 ikiwa bei ya mafuta itabakia kwa kadiri ya Dola 57 kwa pipa moja. Baada ya hapo, kwa kuzuia mambo yasiyoepukika, IATA inabashiri kwamba iwapo bei ya mafuta itabakia kwa kiwango cha kadiri cha Dola 52 kwa pipa moja, sekta ya safari za ndege inaweza kupata faida kubwa mwaka 2007.

Ni wazi kwamba bei ya mafuta ndiyo changamoto kubwa inayokabili sekta ya safari za ndege kutoweza kupata faida. Mahitaji makubwa ya mafuta yanatoa matumaini machache ya kupungua kwa bei katika siku za hivi karibuni.

Barani Afrika

Gharama halisi ya kiwango cha mapato ya raia (GDP) kusini mwa Jangwa la Sahara, ilitazamiwa kuongezeka katika mwaka 2005 na 2006 kwa asilimia 3.7% kwa mwaka huu 2006. Mnamo mwaka 2004, mapato ya raia(GDP) yaliongezeka kwa asilimia 3.2%. Hii ilitokana na kuimarika kwa uchumi wa ulimwengu, kufutwa kwa madeni ya wafadhili katika nchi nyingi za Kiafrika, kuongezeka kwa mazao ya kilimo, kuongezeka kwa bei ya bidhaa, pamoja na kuendelea kwa utekelezaji wa mipango ya kusaidia biashara ndogondogo na sera za maendeleo. Hata hivyo, kiwango hicho cha ukuaji wa uchumi wa ulimwengu hakilingani na mikakati ya milenia(MDGs) ya kupunguza kwa nusu umasikini kufikia mwaka 2015. Makadirio ya Benki ya Dunia (2000) yanatarajia kukua kwa asilimia 7% kwa mwaka ili kuafikia lengo hili.

Nchi zinazouza mafuta ulimwenguni ziliweza kupata kiwango kikubwa cha kuimarika kwa uchumi wao, wakati nchi zinazoagiza mafuta Kusini mwa Jangwa la Sahara ziliathirika zaidi kwa upande wa mapato ya raia, kutokana na athari za ongezeko la bei ya mafuta.

Kuweka miradi kabambe ya kiuchumi barani Afrika ni jambo la maana sana hasa ikitiliwa maanani kwamba UKIMWI, Malaria na magonjwa mengine ya kuambukiza yanatarajiwa kuhujumu kukua kwa uchumi wa Afrika kwa miaka 15 ijayo. Kadhalika kukosekana kwa chakula, misukosuko ya kisiasa na vita vya wenyewe kwa wenyewe katika nchi nyingi kusini mwa Jangwa la Sahara kunatishia kuathiri kukua kwa kiwango cha uchumi wa Afrika.

Ufahamu wa kutunza mazingira na haja ya kutumia mazingira kuvutia watalii ili kupata fedha za kigeni, ndiyo jambo la muhimu ambalo nchi nyingi za Kiafrika zitahitaji ili kuimarisha uchumi wao.

Nchini Kenya

Ongezeko halisi la mapato ya raia(GDP) kwa mwaka 2005 lilitazamiwa kuongezeka kwa asilimia 5.8% kutoka asilimia 4.9% mnamo mwaka 2004 na kwa asilimia 2.8% mnamo mwaka 2003. Ongezeko hili lilitokana na kukua kwa sekta mbalimbali za uchumi haswa utalii, kilimo, mawasiliano, kawi na ujenzi. Makadirio ya uchumi kwa mwaka huu 2006 bado yanaonekana kuwa mazuri, kufuatia hali nzuri ya anga iliyotokana na kupatikana kwa mvua.



Taarifa ya Mwenyekiti

Kwa kiwango cha kadiri kupanda kwa gharama za maisha kwa mwaka kulifikia asilimia 5.1% ambacho kilikuwa ni kiwango cha juu kuliko mwaka uliotangulia kwa asilimia 4.4%, hii ikionyesha athari za kupanda kwa bei ya mafuta yasiyosafishwa, ukame na kupanda kwa bei ya vyakula. Thamani ya shilingi ya Kenya ilishuka ikilinganishwa na fedha nyengine za ulimwengu, wakati katika eneo hili, shilingi ya Kenya iliimarika dhidi ya shilingi ya Uganda na Tanzania. Mapato ya mauzo ya bidhaa nje yaliongezeka kwa mwaka 2005 kwenye baadhi ya sekta kama majani chai, matunda na maua na kupanda kwa bei za bidhaa nyengine za kilimo kama kahawa.

Sekta ya kibinafsi iliweza kufaidika na mikopo ya benki kwa asilimia 11.6% ikilinganishwa na asilimia 24.4% mwaka uliotangulia, huku kiwango cha mikopo ya benki kwa Wakenya kikipungua kwa asilimia 23.2% kutoka asilimia 26.4% mwaka uliotangulia. Hii inaonyesha kwamba serikali imepunguza kukopa fedha kutoka soko la humu nchini. Sekta ya kibinafsi iliweza kuonyesha kukua hasa kutokana na huduma za kibiashara, usafirishaji na mawasiliano, ujenzi wa nyumba binafsi za kuishi na zile za kukodisha.

Katika sekta ya usafirishaji, wasafiri waliopitia katika uwanja wa JKIA iliongezeka kwa asilimia 11.1% mnamo mwaka 2005. Ongezeko hili linatokana na kukua kwa sekta ya utalii na mipango ya shirika la Kenya Airways kupanua safari zake kwa mwaka uliopita.

Mtazamo wa siku zijazo, kupanda kwa kiwango cha gharama za maisha kunatazamiwa kupungua katika siku za hivi karibuni kutokana na kuimarika kwa hali ya hewa na kuendelea kwa utekelezaji wa sera za Banki kuu ya Kenya kuchukua hatua zifaazo za kuimarisha matumizi ya fedha ili kuhakikisha gharama za maisha zinabakia kiwango cha kadiri na pia kuzuia mfumuko wa bei na viwango vya ubadilishaji fedha za kigeni.

Sekta ya utalii ilifaidika kutokana na kufunguka kwa soko la watalii katika bara la Uropa na Amerika na hali hii inatazamiwa kuendelea hivyo hivyo kufuatia Kenya kuanza kupata watalii kutoka bara Asia na kutokuwepo kwa ilani za kukataza watalii kutoka Ulaya na Marekani kutembelea humu nchini.

Utendakazi wa Shirika

Shirika la Kenya Airways limeweza kujimudu kuendelea kupata faida katika mwaka wa kifedha uliomalizika tarehe 31 Machi mwaka 2006 licha ya kuongezeka ushindani wa kibiashara na kupanda kwa bei ya mafuta. Hili lilitokona na sababu za msingi za ongezeko la abiria kwenye njia mpya na zile za zamani huku tukitilia maanani kupunguza gharama.

Kenya Airways iliweza kupata faida kwa mara nyengine tena baada ya kulipa ushuru ya shilingi milioni 4,829, ikiwa ni asilimia 24% kupita mwaka uliotangulia wa faida ya shilingi milioni 3,882. Kiwango rasmi cha mapato kilibakia pale pale kwa asilimia 9.2%

Kiwango cha abiria kiliongezeka hadi kufikia abiria milioni 2.4 ikiwa ni ongezeko la asilimia 17% zaidi ya mwaka uliopita. Hili, ikitiliwa maanani ongezeko la asilimia 4% la abiria liliweza kuongeza mapato yatokeanayo na kusafirisha abiria ikilinganishwa na mwaka uliopita. Kiwango cha asilimia 20% ya ongezeko la abiria kiliweza kupatikana katika bara Uropa kufuatia matumizi ya ndege zetu tatu aina ya Boeing 777 katika njia hiyo. Mashariki ya Kati na Mashariki ya Mbali, biashara iliendelea kukua katika njia hii muhimu na inayoendelea kukua. Maeneo yote ya Afrika yaliendelea kuwa na ongezeko la abiria, kwa asilimia 26% katika Afrika Magharibi na Afrika ya Kati, Kusini mwa Afrika asilimia 22%, Afrika Kaskazini asilimia 21%, na Afrika Mashariki asilimia 5%. Soko la abiria la humu nchini iliweza kupata ongezeko la asilimia 22% kufuatia kuongezeka kwa mahitaji ya wasafiri wa humu nchini na kuongeza kiwango cha abiria kufikia asilimia 25%. Kiwango cha shehena kiliweza kuongezeka kwa asilimia 24% kutokana na kuongezeka nafasi ya kubebea shehena kwenye ndege zetu aina ya B777 na kupeleka ndege zetu aina ya B767 katika sehemu nyengine barani Afrika.

Kupanda kwa bei ya mafuta katika soko la kimataifa kuliathiri matokeo ya mwaka huu kwa kiwango kikubwa wakati bei ilikuwa kwa asilimia 57% ikilinganishwa na mwaka uliopita, ambapo bei ilikuwa asilimia 43%, ongezeko la ujazo lilikuwa kwa asilimia 17% kutokana na kuongezeka kwa gharama za utendakazi na asilimia 5% iliyosababishwa na viwango vya mabadiliko ya ubadilishanaji wa Shilingi ya Kenya dhidi ya Dola ya Marekani. Bei ya mafuta kwa Shirika ilikuwa kadiri ya 201usc/ag ikilinganishwa na mwaka uliopita ambapo ilikuwa kadiri ya 141usc/ag.



Matarajio

Wakati ambapo Shirika la Kenya Airways linapoendelea kukua, huku tukitarajia kupata ndege nyengine tano katika muda wa miezi kumi na mbili ijayo, Bodi ya Wakurugenzi ina matumaini ya kupata mafanikio zaidi, iwapo hakutatokea matatizo ya hapa na pale, kama ongezeko la bei ya mafuta.

Uangalifu wa kutumia mali na upatikanaji wa biashara

Ingawaje Kenya imekuwa msitari wa mbele katika kutekeleza makubaliano ya mikataba ya safari za ndege na mataifa mengine, bado kuna vikwazo vya hapa na pale baina yetu na mataifa mengine ya Kiafrika. Kwa hivyo, licha ya kuwepo Mkataba wa Ushirikiano wa Afrika Mashariki, soko la Comesa na Makubaliano ya Yamoussoukro, Shirika la Kenya Airways katika juhudi zetu za kuongeza na kupanua safari zetu katika bara la Afrika, wakati mwengine hukumbwa na matatizo mengi sana. Baadhi ya mataifa ya Kiafrika yanachelewesha maombi yetu ya kutaka kuingia nao mikataba ya kusafiri katika nchi zao, ilhali mataifa mengine yanakataa mipango yetu ya kuongeza safari zetu katika mataifa hayo licha ya kuwepo kwa mikataba kati yetu na wao.

Hata hivyo, matarajio siyo mabaya sana kwa mwaka huu. Mipango yetu ya kuongeza safari zetu katika mataifa mengi ya Afrika Magharibi na Afrika ya Kati, imepokelewa kwa hamu kubwa na mataifa hayo, nasi tutaendelea kuongeza safari zetu katika mataifa hayo kama ipasavyo.

Shirika la Kenya Airways pia limejitolea kuzidisha usalama. Pamoja na washika dau wengine na kujitolea kwa Serikali kupitia Mamlaka ya Safari za Anga, Shirika limejitolea kuimarisha usalama hata zaidi. Mnamo mwezi Disemba mwaka uliopita, tuliweza kuongezea sifa nyengine kwa Shirika letu kwa kuwa shirika la ndege la tatu pekee barani Afrika kuweza kutunukiwa cheti cha usalama (IOSA) na chama cha IATA. Bara la Afrika limeweza kupata aibu hivi karibuni kuhusu usalama wakati mashirika mengi ya ndege yalipopigwa marufuku kwenye viwanja vya ndege vya Uropa. Shirika la Kenya Airways limeendelea kushikilia msimamo wake wa uwazi katika ngazi zote ili kukidhi mahitaji ya usalama ya abiria wetu wanaoongezeka.

Uwekezaji wa hisa

Idadi ya wenye hisa walioorodheshwa kwenye Jarida la Wenye hisa kufikia tarehe 31 mwezi Machi mwaka 2006, ni 78,650. Kati ya wao, wenye hisa 11,654 wamekatiza uwekezaji wao na kuwekeza kwenye CDSC Limited na kufungua akaunti na Mradi huo. Utaratibu wa hisa hizo kufikia tarehe 31 Machi mwaka 2006, umeorodheshwa kwenye ukurasa wa 40.

Mgawo wa hisa

Bodi ya Wakurugenzi imependekezwa kutoa mgawo kwa wenye hisa wa shilingi 1.75 kwa kila hisa, kulipwa kwa wenye hisa waliosajiliwa kwenye Jarida la wenye hisa kufikia mwisho wa saa za kazi tarehe 25 Agosti mwaka 2006 hadi tarehe 29 Agosti Mwaka 2006, na mgawo huo utalipwa kuanzia tarehe 29 mwezi Septemba mwaka 2006.

Wakurugenzi

Wakurugenzi waliotumikia Shirika la Kenya Airways kwa mwaka uliopita wameorodheshwa kwenye taarifa kuhusu Wakurugenzi kwenye ukurasa wa 44.

Kulingana na kanuni zinazosimamia makampuni, wote wawili Dkt Gerrishon Karimi Ikiara na Bw Micah Cheserem wanastaafu kwa zamu kwenye mkutano mkuu wa mwaka huu 2006 na wanajitolea kuchaguliwa tena kuwa Wakurugenzi wa shirika.

EVANSON MWANIKI
MWENYEKITI



Saying
from
Nigeria

*When gifts are shared that is when
you know who is loved.*

Management Team



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From left to right: Hugh Fraser - Commercial Director,
Paul Matata Kasimu - Human Resources Director,
Titus Naikuni - CEO, Sebastiaan Willem van Drooge - Technical Director,
Capt. James Ouma - Director Flight Operations and Chief Pilot and
Mr. Yvan E. Drewinsky - Ground Operations Director

Not included in the group: Mr. Kevin Kinyanjui - Information Systems
Director and Mr. Neil Canty - Group Finance Director.



Management Team

Titus Naikuni - Group Managing Director & Chief Executive

Mr. Naikuni, aged 52 years, holds a Bachelor of Science Honours Degree in Mechanical Engineering from the University Of Nairobi. He is also a graduate of the Harvard Business School's Management Development Programme.

He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of that company in 1995 and Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996. Between August 1999 and March 2001 Mr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by the President Moi to turn around the Kenyan economy. In this capacity Mr. Naikuni served as Permanent Secretary to the Ministry of Information, Transport and Communications and was a member of the Board of Kenya Airways during that period.

He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director a position he held up to his present appointment with Kenya Airways in February 2003.

Mr. Naikuni has had extensive boardroom experience having served on various company boards including as a member of the board of Brunner Mond (South Africa), as Chairman of Kenya Power & Lighting Company and as Chairman of Housing Finance Company Limited. He received the Manager of the Year Award in Kenya in 2002.

He is currently a board member of Maersk Kenya Ltd, CFC Bank Kenya Limited, and deputy Chairman of Magadi Soda Company Ltd, a member of Unilever Africa Advisory Council. He is also a trustee of Mpala Wildlife Foundation in Nanyuki, Kenya.

Neil Canty - Group Finance Director

Mr. Canty, aged 54 years, is a Fellow of the Institute of Chartered Accountants in England and Wales and has worked in the airline industry for some 20 years, principally as Finance Director for a number of companies including, British Airways CitiExpress, British Midland and British Regional Air Lines Group PLC, the latter included dealing with its successful flotation and full listing on the London Stock Exchange.

During his career to date, he has also gained some seven years international experience working in Kenya, The Netherlands, Denmark, France and Australia.

He joined the Board of Kenya Airways as Group Finance Director in January 2005.

Hugh Fraser - Commercial Director

Mr. Fraser, aged 53 years, holds a BA (Honours) degree in Marketing from the University of Strathclyde, Scotland. He joined the British Airways Marketing Department in 1976 where he gained experience in pricing and product development. In 1982 he joined KLM with responsibilities for pricing strategy, customer accounts and distribution channels for the UK and Ireland markets, serving as Regional manager for North of England. In 1988 he rejoined a newly privatised British Airways serving as General Manager Sweden and subsequently as General Manager for the Benelux countries.

Between 1999-2001 Hugh worked with Swissair-Sabena as Executive Vice President for Sales gaining significant experience on the Europe to Africa market. At the time Sabena has the most extensive Africa network of any European carrier. He left Swissair-Sabena in 2001 to take up his previous position of Managing Director PGL Travel & Voyages, Europe's leading specialist operator of holiday and educational travel for young people.

He joined Kenya Airways on 1st September 2003 with responsibility for the Commercial activities within Kenya Airways including amongst others, Marketing, Sales network-wide, Pricing, Revenue Management and Inflight Catering and Standards.

Kevin Kinyanjui - Information Systems Director

Mr. Kinyanjui, aged 39 years, has over 18 years experience in the Information Technology field. This includes 6 years at a management consulting firm Price Waterhouse, 6 years at Bamburi Cement Ltd and a total of 4 years in the banking sector, most recently at Housing Finance. He has attended many technical IT and management courses both locally and abroad.

As an IT management consultant he carried out numerous management consultancy assignments in the finance, hospitality, manufacturing and service industries in both private and public sector organisations. These organisations were spread out beyond Kenya, in other African countries including Uganda, Tanzania, Malawi, and Ethiopia.

At Bamburi Cement where he was the head of IT, initially for the cement company alone, and thereafter for all group companies in Kenya and Uganda, he was instrumental in strategy formulation, shifting the group to an end user computing environment, integrated ERP systems and putting in place a complete IT organisation. Kevin was the first IT Director at Housing Finance where he oversaw similar planning and implementation activities for banking business systems. This included the evaluation and selection of a completely new banking system platform.

In 2001 the Computer Society of Kenya awarded Kevin the Chairman's Achievement Award in recognition of his achievements in the IT field.

Management Team



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Capt. James Ouma - Director Flight Operations and Chief Pilot

Capt. Ouma, aged 53 years, undertook his pilot training at the East African Flying School, Soroti, in Uganda, in 1974 and completed his Commercial Pilot Licence in Perth, Scotland, in 1975. In 1978 he completed his Airline Transport Pilots licence in Denmark.

He joined Kenya Airways as First Officer on Fokker 27s in 1977 from East African Airways, where he had been seconded to the East African Flying School as a flight instructor. In 1980 he graduated to Boeing 707s initially as First Officer, gaining his captaincy six years later on the same aircraft. He moved to the Airbus A310 in 1989 and finally to Boeing 767s when they were acquired by the airline in 2001.

He served as the chairman of Kenya Airline Pilots Association from 1996 up to the time of his appointment to the position of Chief Pilot in July 2002.

His additional appointment in November 2003 as Director Flight Operations brought him new responsibilities besides the Flight Deck Crew and Flight Safety and Investigations. These include Flight Operations Planning and Control, Cabin Service Crew, Ground Transportation and generally ensuring safe and efficient operations of Kenya Airways' aircraft.

Paul Matata Kasimu - Human Resources Director

Mr. Kasimu, aged 42 years, holds a Bachelor of Arts Degree in Economics and Sociology from the University of Nairobi and is currently pursuing a Masters in Business Administration from Cambridge University. He has over 17 years Human Resources experience across Africa and the UK, initially with the Office of the President and then the Barclays Bank Group.

In January 1989, he joined the Directorate of Personnel Management, Office of the President and worked as a Management Analyst. In August 1992, he joined Barclays Bank of Kenya as Manpower Planning and Development Officer and thereafter served under various capacities. These included HR Change Programme Manager between August 1999 and September 2000 and Head of Human Resources Barclays Southern Africa between May 2002 and December 2002 where he was responsible for the effective running of the HR function in Barclays Bank of Botswana, Mauritius, Zambia and Zimbabwe. Between January 2003 and December 2003, he worked as the HR Business Partner, Barclays Bank Africa in the London office, where he provided HR Consultancy services to Barclays Africa Finance and Service Delivery Directors respectively and their senior management teams in support of business strategy cutting across the 11 African businesses. From January 2004 to January 2006, Paul served as Regional HR Business Partner, Barclays Bank, East Africa.

He joined Kenya Airways on January 10 th, 2006.

Mr. Yvan E. Drewinsky - Ground Operations Director

Mr. Drewinsky, aged 50 years, is a multilingual, multicultural, global professional with over 25 years of experience within the aviation, airline and hotel management industry holding various degrees. His airline experience includes working with Sabena in 1976, as a management trainee, Braniff International as a Customer Service Manager, CityBird Airlines, as the Executive Director, Americas, TransMeridian Airlines, as General Manager-Stations, Northwest Airlines in Detroit, as a Customer Service Manager-International, overseeing the Trans-Atlantic operation from the Northwest Detroit Hub. He helped in launching successfully the first low cost Business Class International airline (Skylink/MAXjet) through certification in the USA. He is fluent in Russian, French, English and proficient in Dutch, Italian and German.

He joined Kenya Airways in October 2005.

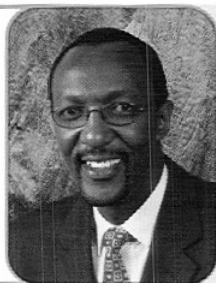
Sebastiaan Willem van Drooge - Technical Director

Mr. Drooge, aged 44 years, holds a Masters in Aerospace Engineering from the Technical University of Delft and a Masters in Political Sciences and International Relations from the University of Amsterdam.

In November 1989, he joined KLM Royal Dutch Airlines and worked in various Divisions: Engineering and Maintenance, Corporate Human Resource Management and Cargo. After serving KLM Cargo as Cargo Sales Director for North and West Europe, he returned to the Engineering and Maintenance Division where between November 2000 and February 2003, he served as Director Engineering. He subsequently took up the position of Vice President Wide Body Base Maintenance where he was involved in leading a change program for radical product improvement on turn time and cost, and for employee involvement.

He joined Kenya Airways on January 1st, 2006.

CMA-LIBRARY



Chief Executive's Statement

The Financial Year 2005/2006 was full of challenges for Kenya Airways. The aviation landscape in our market has indeed become more competitive, with a few new entrants starting operations to our home base in Kenya. Further, the price of Jet fuel - the most significant component of cost in our industry - has risen significantly. The high cost of jet fuel continues to pose as a major risk to profitability in the aviation industry and regrettably, oil prices are likely to remain high over the next two years.

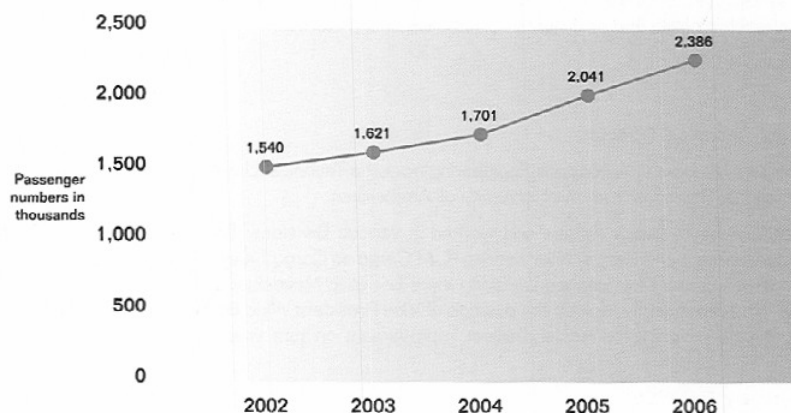
Given this backdrop, it is commendable that Kenya Airways (KQ) has continued to be profitable and achieved several milestones during the year in review. Just to mention a few, the Company was voted the "Most Respected Company" in Kenya and East Africa by CEO's within the region, through a survey conducted by PriceWaterhouse Coopers. We were also voted the "African Airline of the Year" in 2005 by the African Aviation Magazine for the fifth time out of the seven years the award has been in existence. We would not have achieved this without the support of all our valued customers, shareholders, industry partners and the KQ team.

The Kenya Airways team acknowledges that despite our impressive results, we must look forward to deal with the challenges that remain and those that will emerge in the future. We are aware that simply responding to challenges is not enough - we have to anticipate them. For us to succeed in this industry, the Kenya Airways people need to inculcate that sense of ceaseless change in the way we do business. This means re-designing our business processes to be more adaptable and customer-driven.

At the beginning of the financial year the company started a Performance Improvement Programme (PIP). PIP focuses on elimination of wastage that generates costs and the improvement of in-flight service and customer service at JKIA. For the period under review, total cost savings from various initiatives amounted to Kenya Shillings 450 million. We intend to focus on more PIP initiatives in the new financial year.

Commercial Highlights

During this financial period, Kenya Airways carried 2.4 million passengers compared to 2 million in the previous year and over 55 million kilograms of cargo to 36 destinations in Africa, Europe and Asia. We continued to develop our in-flight experience, our fleet, international network coverage and capacity in line with our vision of being a safe and profitable airline.



Chief Executive's Statement

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Livery Change

Kenya Airways is one of Africa's best known African brands. We started our year by unveiling our new livery. This was a significant development as it embodied our evolving organization whilst cementing our positioning as a world class airline with an African Heritage.

Our new livery is a reaffirmation that we are committed to improving the image of the airline to remain visible in an increasingly competitive industry. We chose to adopt our IATA code 'KQ' instead of 'KA' because the world-over, our customers as well as the travel trade and news media, have come to recognize and refer to us by those initials.

Our Network Expansion

The strategy to open more routes within Africa continued unabated with Mozambique, Mali and Senegal joining our expanding regional network. This network development provides the Continent with more opportunities to use our services and to connect to any part of the world via our hub in Nairobi.

On the inter-continental network, we launched services to Guangzhou in China, anticipating the increased trade opportunities between China and Africa. This route was designed to facilitate trading opportunities in both Guangzhou and Dubai, as we are currently operating the Guangzhou route three times a week via Dubai. This is reminiscent of the old silk trading route across the African continent to the Middle East and Asia with Kenya Airways providing the fastest journey times between the trading nations of West Africa and Asia.

Moving further North-East in the Asian region, we recently signed a new code share agreement with Korean Airlines, the largest airline based in South Korea, which is a founder member of the SkyTeam Alliance. This agreement allows our passengers to fly between Nairobi and Seoul via a seamless transfer in Bangkok, three times a week.

Expanding into the European continent has also been a strategic network objective. With Turkey becoming a shopping paradise, we introduced scheduled flights in June 2005 to Istanbul, operating twice a week. This route has also enabled us to offer more trading opportunities for our merchant travellers in East, Southern, Central and Western Africa. These new destinations have brought the total number of routes we serve to 36 up from 31 in prior year.

In 2005/6, we began the process of meeting the necessary operational and service standards to attain Associate Membership within SkyTeam. SkyTeam is a global airline alliance partnering nine members, including Aeroméxico, Air France, Alitalia, Continental Airlines, CSA Czech Airlines, Delta Air Lines, KLM Royal Dutch Airlines, Korean Air and Northwest Airlines. Management intends to carry out a cost benefit analysis of the Associate Membership before a final decision to join is made.

Our Fleet

As we progressively grow our network, we are building the fleet to serve the routes effectively and efficiently. In the year 2005/06 we successfully completed the first phase our fleet modernization program when we took delivery of the second and third Boeing 777 - 300 ER in April and June.

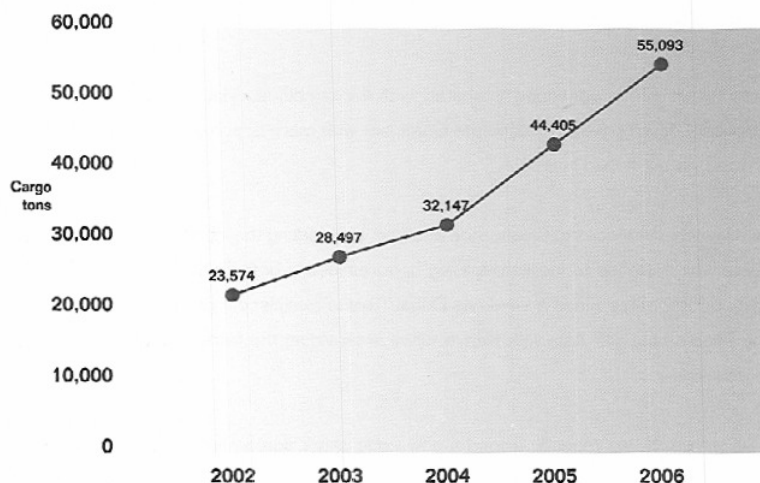


Chief Executive's Statement

During the year, the 322 seat Boeing 777 was deployed on routes to London, Amsterdam, Dubai, Lusaka, Lilongwe, Johannesburg and Mombasa. This aircraft has also enabled our KQ Cargo Division to significantly grow our cargo revenue, utilising the 30 ton hold capacity, particularly with Kenyan horticulture exports to London and Amsterdam.

Our Cargo Business

The cargo business continues to grow exponentially and we have continued to improve the product offering. As at the end of the period under review, cargo tonnage was up 24% at 55,093 tons compared with 44,405 tons in the previous year.



We recently introduced KQ Express Cargo which is a time sensitive service aimed at customers who would want to prioritize shipment of their goods. We also launched a specialized cargo product for the pharmaceutical industry called KQ Pharma. This product ensures that pharmaceutical products are transported at the right temperatures and conditions on our flights.

Distribution

Online bookings are a growing trend. During the year we unveiled KQ's new look website. Not only does the new website have a dynamic look and feel but is also more interactive, user friendly and easy to navigate. There will be ongoing improvements over the course of the year.

We opened a new sales shop at the Village Market shopping mall in Nairobi. The Village Market sales outlet is ideally located to serve the diplomatic and United Nations community, in the catchment area.

Human Capital

Kenya Airways has a staff complement of 3,599 people and there has been continuous focus in spearheading the transformation of the business to ensure a significant turnaround through 2005. This was facilitated through a number of key activities focusing not only on business results but also fundamental performance improvement initiatives.

The Human Resources agenda has continued to be central to our core business. The emphasis however has been in the recruitment and training of pilots and cabin crew given the recent rapid expansion in both route network as well as fleet numbers. Recruitment in other key areas of the business also took place during the year.

Chief Executive's Statement

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Employee Relations

During the period under review, there was good dialogue with the two Unions representing our staff - Transport and Allied Workers Union (TAWU) and Kenya Airline Pilots Association (KALPA). Negotiations for the 2004/2006 Collective Bargaining Agreement (CBA) with KALPA commenced in January 2006. The 2004/2006 Collective Bargaining Agreement (CBA) with TAWU will expire in June 2006.

Employee engagement improved during the year with more staff meetings and forums being held across all the functions. A Staff and family get-together and fun day was held in November 2005 with positive feedback from all those who attended.

Long Service Awards Scheme was introduced and employment contract periods increased from two to five years. Employees previously on short term contract are now enjoying similar benefits as their colleagues on permanent terms.

Training and Development

The Airline has continued to hire external facilities as well as training in other countries to meet the regulatory requirements for critical training for its employees. On average, we conduct over 600 training sessions annually for our employees. As the airline operations expand, it is anticipated that the training budget will increase as appropriate.

The Airline has recently invested in a Learning and Development facility which is truly of world class status. This facility is located within an ideal area of ten acres within five minutes drive from the main base of Kenya Airways.

With the acquisition of the above facility, in addition to conducting in-house programs to meet our business needs, Kenya Airways is now commercially and strategically well placed to conduct third party training for other Regional and African organisations.

We have strong indications from some of our existing business partners of their readiness to explore possibilities of accrediting the new facility as their Regional Training Centre. There is also further potential to partner with higher institutions of learning for conversion of some of our internal programmes into professional and/or degree accreditations. We have projected full recovery of the investment in this facility within the first three years of operation.

Information Systems (IS)

E-Ticketing

E-ticketing was introduced during the last financial year and we have continued to introduce and extend e-ticketing for the rest of the KQ network. As at end of March 2006, one third of all tickets uplifted by KQ were e-tickets, and 20 KQ destinations are eligible to issue e-tickets. The target is for all IATA members to be 100% e-ticket compliant by end of 2007.

E-champ cargo system

This system has greatly improved the management of KQ cargo reservations and movement. It is now possible for all KQ outstations and cargo customers to track their shipments from origin to destination through internet access.

Ground Radio system at Embakasi

We replaced the long serving analogue ground radio system with a new digital system, which has greatly improved ground radio communication at the JKIA hub.



Chief Executive's Statement

Other systems and initiatives put in place during the year included:

- SMS notification system – customers can "pull" flight schedule information;
- Flight Data Monitoring system - data can now be downloaded from an aircraft after every flight for analysis and hence enhance the safety of our operations and;
- Business Continuity Plan – The team during the period under review set up a unit to focus on systems security and continuous availability.

Flight Operations

Flight Safety and efficiency was our main focus during the year. There were no major incidents recorded and bird strike incidences were dramatically reduced. The department successfully went through the IOSA audit and has since then operated within the standards and recommended practices both in training and operations.

The department continuously developed and implemented strategies to face the challenges posed by competition. In this regard, recruitment and training of cabin crew and pilots continued throughout the year.

In order to meet our requirements necessitated by network expansion and acquisition of more aircraft, a total of over 140 pilots from General Aviation went through our selection process. Thirty-four (34) met the required standards, successfully went through the various selection stages and were employed. We continue to scout the local market for qualified Kenyans to join our airline.

The airline continues to invest in the Ab-Initio pilot training programme. Since inception in June 2002, a total of 30 pilot trainees have completed the programme. In the year 2006/2007, the airline intends to take on and train 45 direct entry applicants under the Ab-initio pilot training programme.

The airline has put in place a 50/50 fee cost sharing structure with the trainees. Further, all trainees sign employment bonds in favour of the airline for a period of 36 Months.

Clearly, as we continue with our network expansion, there is still need to employ more pilots. Various options are being explored. These include the employment of qualified non-Kenyan pilots on contract, for an interim period until our pilots complete their training.

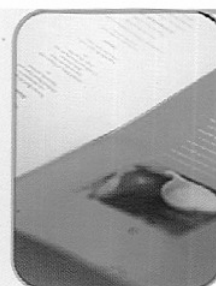
As regards In-flight attendants, with the introduction of our operations to the Far East, we have had a peculiar challenge of multi-lingual speakers among our existing pool. We have therefore had to engage services of the locals in the respective countries who speak Mandarin, Cantonese, Chinese and Thai. We currently have a total of 39 foreign In-flight Attendants whom we project to retain over the next 3-5 years.

To improve efficiency on our on time performance, an operations control center (OCC) was set up last July. The center groups together various disciplines from Flight Operations, Commercial, Technical, Ground Operations and Cargo Handling to facilitate smooth and efficient operations.

The price of aviation fuel continues to be of concern. In collaboration with IATA, various strategies have been put in place for efficient and cost effective fuel management and conservation.

Chief Executive's Statement

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Ground Handling Services

Safety

Safety performance during the year has recorded improvement compared to the last financial year. There was an improvement of 25% with fewer incidents reported compared to prior year.

Operations

The problem of illegal immigrants and wrongly documented passengers has persisted. To counter this, a travel document verification unit was set up during the year and specific training in travel document verification carried out.

We are still faced with a significant challenge at both ramp and passenger handling due to the congestion at JKIA in terms of aircraft parking bays, passenger check-in and lounge facilities as well as boarding gates.

Service Delivery

As part of its reform and modernisation program in their customs department, KRA implemented a new electronic clearance system (Simba) with effect from July 1st 2005. The system has now stabilised and this has resulted in a reduction in cargo dwell times in our warehouse and hence eroded the earnings from storage charges. A recovery program has been put in place to ensure continued growth in earnings.

We are in the process of implementing a baggage reconciliation system at JKIA. The system will have a baggage tracker which will help operating staff trace route and location of any baggage uplifted from JKIA. This will improve both safety and service delivery.

Security

As a responsible airline we are taking a proactive approach to curb the drug menace. We have invested in a highly trained unit to assist us in apprehending potential traffickers and discourage people who are involved in this global trade. Additional security measures the airline has put in place include checking and screening incoming and outgoing baggage, cargo, courier and mail and identifying and sealing any loopholes that can be used by drug traffickers.

Kenya Airways is also educating its employees on the dangers and consequences of drug trafficking as a serious criminal offence both in Kenya and internationally. With increased cargo and human traffic at JKIA, drug trafficking has become a major issue that needs concerted efforts from everyone. The new "Sniffer Dog Section" set up by Kenya Airways Security Services will play an important and instrumental role in supporting the national and international drug law enforcement agencies countering this global problem.

Technical

Our aircraft fleet grew from 20 to 21 aircraft within the year with the arrival of our second and third B777s in April and June 2005. We also redelivered two B767-300ERs at the expiry of their leases and took delivery of our fifth leased B767-300ER in May 2005.

In early March 2006, the company placed an order for 6 Boeing 787s with an option for an additional 6 aircraft, to replace its current B767 fleet with the highly efficient Dreamliner. Delivery of two aircraft is expected in 2010 and four in 2011. The unmatched performance, range and passenger comfort of the 787 will enhance Kenya Airways ability to offer service on routes across the globe. Kenya Airways becomes the 27th Boeing customer committed to the 787 Dreamliner.



Chief Executive's Statement

The department welcomed twelve graduate engineers recruited at the start of the year who were posted to various sections in December after successfully undergoing a rigorous training program. The company also recruited 19 Engineering Diploma holders who are currently undergoing a three year apprenticeship training program geared towards equipping them with theoretical and practical skills needed for licensing in aircraft maintenance.

Our maintenance costs were kept within the budget while our dispatch reliability showed an upward trend. The month of March 2006 reflected slightly declining reliability, which has since been reversed. We are currently focused on obtaining the European Air Safety Agency (EASA) 145 Maintenance approval.

The new hangar that will accommodate the B777s is expected to be commissioned in August 2006. Kenya Civil Aviation Authority (KCAA) approval for performance of C-CHECKs on the B777s is expected to be issued a year after the hangar is completed. The department currently has the KCAA Approval for airframe maintenance up to and including C-CHECKs on the rest of our fleet.

Corporate Social Responsibility Programme. (CSR)

Kenya Airways recognizes its obligations as a responsible corporate citizen to its customers, employees, stakeholders and society at large. The two areas we made a commitment to focus on in 2005/6 were Education and Water. Our CSR investment saw Kenya Airways partner with African Medical and Research Foundation (AMREF) to help alleviate the water problems faced by residents of Makueni district in Eastern Kenya.

In doing so, we financed AMREF in the sum of Kenya Shillings 2 million to sink seven shallow wells at various strategic locations in the area, giving the residents a chance to engage in productive economic activity as a result of availability of water. This project has benefited over 400 households and five schools in Makueni District.

Other initiatives in education include the free transportation of computers to schools. Under the KQ / Boeing initiative, 26 computers were distributed to 5 secondary schools. 5 computers, 5 printers and a photocopier were donated to Utalii College whilst 20 additional computers were donated to SOS Village Buru Buru. KQ is also in partnership with Worldspace for remote teaching capability in Northern Kenya. Under a three year partnership, we support 220 primary schools in North Eastern province.

This year KQ celebrates a successful ten year partnership with KLM. In recognition of this partnership, we commenced the construction of classrooms and administration block for a primary school at the Mukuru Community Centre Embakasi. This project will be completed later this year at a cost of Kenya Shillings 16 million and will benefit over 700 children from disadvantaged families. The project was funded 50 / 50 by KLM and KQ.

During the year, the Airline also contributed free and rebated tickets to charities, community development programmes and promotional events. In particular, we offered 36 rebated tickets to a number of deserving medical cases to India. We will continue to sustain these initiatives over the upcoming financial year.

Titus Naikuni
CEO

Taarifa ya Afisa Mkuu



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Mwaka wa kifedha 2005/2006 ulijaa changamoto nyingi kwa shirika la Kenya Airways. Ushindani kutoka mashinka mengine ya ndege uliongezeka, huku kukiwa na mashirika mengine yaliyoanza kusafiri kuja kwetu nchini Kenya. Isitoshe, bei ya mafuta ya ndege - ambayo ni kigezo muhimu cha gharama kwenye sekta hii imekuwa ikipanda maradufu. Bei ghali ya mafuta imeendelea kuhatarisha upatikanaji wa faida kwenye sekta hii na jambo la kusikitisha ni kwamba bei ya mafuta itaendelea kuwa ghali katika muda wa miaka miwili ijayo.

Licha ya hali kama hii, ni jambo la kuvutia kuona kwamba shirika la Kenya Airways (KQ) limeendelea kupata faida katika mwaka huu wa kifedha. Kutaja tu yale machache ambayo tumejivunia katika muda huu, KQ ilichaguliwa "Kampuni inayoheshimiwa" zaidi nchini Kenya na eneo la Afrika Mashariki na Maofisa wakuu wa eneo hili, kupitia utafiti uliofanywa na kampuni ya Pricewaterhouse Coopers. Pia tulichaguliwa kuwa shirika bora la ndege kwa mwaka 2005 kupitia jarida la African Aviation kwa mara ya tano mfululizo kati ya miaka saba ya kutolewa zawadi hiyo. Tusingeweza kujipatia sifa hizi bila usaidizi wa wateja wetu wote, wenyehisa, mashirika mengine ya ndege na wafanyakazi wa Kenya Airways.

Shirika la Kenya Airways linaamini kwamba licha ya matokeo bora kama hayo, ni lazima tuangalie mbele ili kukabiliana na changamoto zinazotukabili na zile zijazo. Tunajua kwamba kufahamu tu kwamba kuna changamoto haitoshi ni lazima tujitayarisha kuzikabili. Ili kufaulu katika nyanja hii, ni lazima sisi hapa Kenya Airways tufahamu kwamba ni muhimu kubadili vile tunavyofanya kazi. Hii ina maanisha kwamba ni lazima tubadilishe mfumo wa utendaji kazi ili uweze kukidhi matakwa ya wateja wetu.

Mwanzoni mwa mwaka huu wa kifedha KQ ilianzisha mpango wa kuimarisha utendakazi (PIP). Mpango huu ulitazamiwa kuondoa kupoteza muda ili kuimarisha mapato ili kuboresha huduma zetu za ndani ya ndege na kwa wateja wetu katika uwanja wa JKIA. Kwa muda huu, jumla ya faida tuliyoipata kutokana na matumizi ya mpango huu ni kiasi cha shilingi milioni 450. Tunazatamia kuelekeza juhudi zetu kwenye mpango huu kwa mwaka unaofuata.

Taarifa Ya Kibiashara

Katika kipindi hiki cha makadirio ya fedha, shirika la Kenya Airways lilibeba abiria milioni 2.4 ikilinganishwa na abiria milioni 2 mwaka uliopita ambapo pia jumla ya kilo milioni 55 za shehena ziliweza kubebwa kuelekea kwenye maeneo 36 tofauti barani Afrika, barani Uropa na Asia. Pia tuliweza kuendeleza huduma zetu ndani ya ndege, aina ya ndege zetu zimeimarika kuwa za kisasa na pia sehemu tunazofika zimeongezeka hasa safari za kimataifa, sambamba na matarajio yetu ya kuzingatia hali ya usalama kwa wateja wetu na pia kupata faida kwa shirika letu.

Mabadiliko ya sare zetu

Shirika la Kenya Airways ni miongoni mwa majina yanayotambulika zaidi katika bara la Afrika. Tulianza mwaka kwa kuzindua mavazi mapya kwa wafanyakazi wetu. Hii ilikuwa muhimu kwani ilionyesha jitihada zetu za kujibadili na kujiimarisha kama shirika la ndege la kimataifa lenye kujuvunia mila zetu za kiafrika.

Mabadiliko ya sare zetu mpya yanatoa hakikisho kwamba tumejitolea kuimarisha sura ya shirika letu ili kuona kwamba tunatambulika kote hasa katika sekta hii ambayo ina ushindani mkubwa. Tumechagua kuchukua maandishi ya usajili ya chama cha IATA, 'KQ' badala ya 'KA' kwani kote duniani, wateja wetu wawekezaji wa kibiashara na hata vyombo vya habari vimetutambua kwa hati hizo, 'KQ'.



Taarifa ya Afisa Mkuu

Upanuzi wa safari zetu

Mpango wa kupanua safari zetu katika maeneo mengine humu barani Afrika kuliendelea barabara, huku nchi za Msumbiji, Mali na Senegal zikiwa sehemu mpya ambazo Kenya Airways imeanza kutoa huduma za usafiri. Maendeleo haya mapya yanatoa nafasi kwa bara hili kutumia huduma zetu na kuweza kusafiri sehemu mbalimbali duniani kutokea kitovu cha safari zetu katika jiji letu la Nairobi.

Huduma nyingine ambazo tumezindua miongoni mwa mataifa, tulizindua safari za kwenda jiji la Guangzhou huko Uchina, kwa matarajio kwamba tutaongeza nafasi za biashara kati ya Uchina na bara la Afrika. Safari katika maeneo hayo pia yalizinduliwa ili kufanikisha biashara katika maeneo ya Guangzhou na Dubai, kwani kwa sasa tunatoa huduma kati ya jiji la Guangzhou kupitia Dubai mara tatu kwa wiki. Haya yote yamefanyika kutokana na mtindo wa safari za hapo awali kati ya bara la Afrika hadi nchi za Mashariki ya Kati na bara Asia ambapo Shirika la Kenya Airways liliweza kujimudu kutoa huduma za haraka kwa usafiri kati ya mataifa yanayofanya biashara ya Magharibi mwa Afrika na bara Asia.

Kwa upande wa eneo la Kaskazini- Mashariki mwa bara Asia, hivi karibuni tulitia sahihi makubaliano mapya ya kufanya biashara pamoja na shirika la ndege la Korea, ambalo ni shirika kubwa zaidi la kutoa safari za ndege nchini Korea Kusini. Shirika hilo pia ni mwanzilishi mwanachama wa muungano wa shirika la SkyTeam Alliance. Makubaliano haya yamewezesha abiria kutumia huduma za ndege kusafiri kati ya Nairobi na Seoul kupitia mpango wa kubadilisha ndege wa seamless jijini Bangkok mara tatu kwa wiki.

Kupanuka kwa huduma za KQ hadi barani Uropa imekuwa ni miongoni mwa malengo yetu. Kufuatia Uturuki kuwa kivutio kikuu cha biashara, tulizindua safari za kwenda hadi Istanbul mnamo Juni mwaka wa 2005 mara mbili kwa wiki. Safari hizi pia zimetupa fursa ya kutoa nafasi zaidi za biashara kwa wateja wetu wa Afrika Mashariki, Kusini, Magharibi na Afrika ya Kati. Vituo hivi vipya vimeleta pamoja idadi ya vituo tunavyovihudumia kwenye safari zetu kuongezeka kutoka vituo 31 hadi 36 katika kipindi cha mwaka huu.

Kati ya mwaka 2005/6, tulianza kufikia viwango vya kutoa huduma bora za viwango vya kimataifa vinavyojulikana kama Associate Membership katika muungano wa SkyTeam. SkyTeam ni muungano wa kimataifa unaojumuishia wanachama tisa yakiwemo mashirika ya Aeroméxico, Air France, Alitalia, Continental Airlines, CSA Czech Airlines, Delta Air Lines, KLM Royal Dutch Airlines, Korean Air na Northwest Airlines. Bodi ya Wakurugenzi ina mipango ya kuwafaidi wanachama wa mpango huu kabla ya uamuzi wa mwisho wa kujiunga nao kutolewa.

Ndege zetu

Tunapoendelea kupanua huduma zetu, kadhalika tunaimarisha ndege zetu ili kutoa nafasi ya huduma bora kwa uadilifu na ubora zaidi. Mnamo mwaka 2005/06 tulifanikiwa kumaliza awamu ya kwanza ya kuboresha ndege zetu na kuzifanya kuwa za huduma za kisasa baada ya kuagiza ndege mbili aina ya Boeing 777-300 ER mnamo mwezi wa Aprili na mwezi wa Juni.

Mnamo mwaka huu, ndege aina ya Boeing 777 yenye uwezo wa kubeba abiria 322 ilianza safari zake katika miji ya London, Amsterdam, Dubai, Lusaka, Lilongwe, Johannesburg na Mombasa. Ndege hii pia imewezesha kitengo cha ubebaji shehena cha shirika la KQ kuongeza mapato kwa kutumia uwezo wake wa kubeba shehena ya tani 30, haswa katika kusafirisha maua na mazao mengine kutoka humu nchini hadi katika miji ya London na Amsterdam.



Biashara yetu ya Shehena

Biashara ya usafirishaji wa shehena inaendelea kukua kila siku kutokana na ubora wa uzalishaji tunaotoa kwa wateja wetu. Kufikia mwishoni mwa mwaka huu wa kifedha, kulikuwa na ongezeko la asilimia 24% ya shehena ambapo jumla ya tani 55,093 zilisafirishwa na shirika letu ikilinganishwa na tani 44,405 mwaka jana.

Hivi majuzi tulizindua huduma ya kusafirisha shehena ijulikanayo kama KQ Express Cargo ambayo huzingatia mno wakati hasa kwa wateja wanaotaka kusafirisha bidhaa zao kwa wakati maalum.

Pia tulizindua huduma maalum ya uchukuzi wa shehena ya madawa inayojulikana kama KQ Phama. Huduma hii inahakikisha kuwa madawa ya aina yoyote ile yanasafirishwa katika viwango maalum vya joto pamoja na kuzingatia taratibu za kisheria kwenye safari za ndege zetu.

Usambazaji

Ukataji wa tiketi kupitia mtandao unaendelea kukua. Mwanzoni mwa mwaka huu tulizindua sura mpya ya mtandao wa shirika la KQ. Mbali na kuwa na sura ya kuvutia mtandao huu pia umekuwa na maingiliano mema kati yetu na wateja, pia ni rahisi kuutumia na kuchambua mengi kutuhusu. Kutakuwa na maendeleo mengi zaidi mwaka huu.

Tulifungua duka la mauzo katika Village Market hapa jijini Nairobi. Duka hili la mauzo limeleaga kuhudumia jamii ya mabalozi na ile ya Umoja wa Mataifa, kwenye eneo hili.

Wafanyakazi wetu

Shirika la Kenya Airways lina jumla ya wafanyakazi 3,599 na kumekuwa na malengo ya siku zijazo kuimarisha biashara hii tangu mwaka 2005. Kuimarika huku kumefanikishwa na malengo muhimu ya matokeo bora ya biashara pamoja na malengo ya kuimarisha misingi halisi ya utendajikazi.

Idara ya Kuajiri wafanyakazi imekuwa ndiyo ajenda yetu kuu katika shughuli zetu. Hata hivyo mkazo umetiliwa katika kuajiri na kutoa mafunzo kwa marubani pamoja na wahudumu wa ndani ya ndege kufuatia kupanuka kwa huduma zetu pamoja na kuongezeka idadi ya ndege. Nafasi ya kutoa ajira katika nyanja nyenginezo za biashara yetu pia zilifanyika katika kipindi cha mwaka huu.

Uhusiano na Wafanyakazi

Katika mwaka huu wa kifedha, kumekuwa na majadiliano mazuri kati ya vyama viwili vinavyowakilisha wafanyakazi wetu chini ya mwavuli wa - Chama cha Wafanyakazi wa shirika la ndege (TAWU) na Chama cha Marubani (KALPA). Majadiliano hayo ya mwaka 2004/2006 na KALPA yalianza mnamo Januari mwaka 2006. Mkataba wa CBA wa mwaka 2004/2006 na TAWU ulitazamiwa kukamilika mnamo Juni mwaka 2006.

Kujihusisha kwa wafanyakazi kumeongezeka katika kipindi cha mwaka huu mbali na kuwepo kwa mikutano ya mara kwa mara ya wafanyakazi iliyoikuwa ikifanywa kwenye vikao mbali mbali. Siku ya kuwaleta pamoja wafanyakazi pamoja na familia zao ilifanyika mnamo mwezi Novemba mwaka 2005 na waliohudhuria walionyesha kuridhishwa kwao na hafla hii.

Tuzo la wafanyakazi waliohudumu kwa muda mrefu limezinduliwa huku mkataba wa kandarasi ukiongezeka kutoka kipindi cha miaka miwili hadi mitano. Waliokuwa wafanyakazi wa kandarasi za muda mfupi sasa wanafurahia mapato na matunda sambamba na wafanyakazi wengine wa kudumu wa KQ.



Taarifa ya Afisa Mkuu

Mafunzo na Ustawi

Shirika letu la KQ limekuwa likitoa mafunzo humu nchini na hata kutoka mataifa ya nje ili kuafikia viwango vya kimataifa kwa wafanyikazi wake. Kwa kadiri tunatoa zaidi ya mihula 600 ya masomo kwa wafanyikazi wetu kila mwaka. Na kadiri huduma zetu zinapoendelea kuimarika, tunatarajia gharama za masomo pia zitaongezeka.

Hivi karibuni, shirika letu limewekeza kwenye Kitengo cha Masomo na Ustawi ambacho ni cha ngazi ya kimataifa. Taasisi hii ya mafunzo ipo kwenye ardhi ya ekari 10 ambayo iko mwendo wa dakika tano pekee kutoka makao makuu ya Kenya Airways.

Kwa kuwa na taasisi hiyo pamoja na kutoa mafunzo kwa wafanyikazi wetu wa KQ ili kufikia viwango vya biashara yetu, Kenya Airways kwa sasa imejikakamua na hata kufunza mashirika mengine ya ndege ya humu nchini na yale ya barani Afrika.

Tuna matumaini makubwa kutoka kwa baadhi ya makumpuni yaliyoonyesha nia ya kutumia Taasisi yetu kama kituo chao cha mafunzo. Kuna uwezekano zaidi wa kushirikiana na taasisi nyengine za masomo ya juu ili baadhi ya masomo tunayotoa yawe ni yenye kutoa vyeti vya taaluma pamoja na Dignii. Tuna matumaini makubwa ya kupata faida katika kipindi cha miaka yake mitatu ya utoaji mafunzo kwenye taasisi hii.

Teknolojia ya mawasiliano (IS)

E-Ticketing

Ukataji tiketi kwa njia ya mtandao ulianzishwa mwishoni mwa kipindi cha mwaka wa kifedha na tumekuwa tukiendeleza katika mtandao wetu wote wa KQ. Kufikia mwezi Machi mwaka huu 2006, theluthi moja ya tiketi zote za KQ zilikatwa kutumia mtandao, na vituo 20 vya KQ vina uwezo wa kutoa tiketi kwa kutumia mtandao wa E-Ticketing. Lengo ni kuhakikisha kwamba wanachama wote wa chama cha IATA wanatumia mtandao katika kuuza tiketi zao kufikia mwaka 2007.

E-champ

Mradi huu umeimarisha kwa kiasi kikubwa usimamizi wa shehena na utunzaji wake. Kwa sasa, ni rahisi kwa vituo vyote vya KQ na wateja wenye mizigo kuweza kujua mahali shehena zao zilipo kutoka mahali zilikotoka hadi zinakokwenda kwa kutumia njia hii ya kompyuta.

Mawasiliano ya Radio, Embakasi

Tulibadilisha ule mfumo wa kizamani wa mawasiliano ya Radio maarufu na badala yake kuweka mfumo mpya wa kutumia tarakimu, ambao umeimarisha mawasiliano ya radio katika uwanja wa ndege wa JKIA.

Mifumo mwengine inayoshughulikiwa ni kama ifuatayo:

- Ujumbe wa SMS - wateja wanaweza kupata habari kuhusu ratiba ya ndege kupitia ujumbe mfupi wa simu zao za mkononi.
- Data za ndege - taarifa kutoka kwenye ndege inaweza kurejelewa upya baada ya kila safari kwa ukaguzi na uchunguzi na kuimarisha usalama wa ndege.
- Mfumo wa usalama - KQ pia imetenga kitengo maalum kushughulikia mifumo ya usalama na njia ya kuifanikisha.

Safari za ndege

Usalama wa ndege na ufanisi ndiyo yaliyokuwa malengo yetu makuu kwa mwaka huu. Hakukuwa na visa vyovyote vikuu vya ukiukaji wa usalama, huku visa vya usumbufu wa nyuni kukwama kwenye mashine za ndege vikipungua. Idara hii ilipitia ukaguzi wa IOSA na tangu hapo imekuwa ikiendesha shughuli zake katika viwango vilivyopendekezwa vya utoaji wa huduma na mafunzo.



Idara hii imekuwa ikiendelea kustawisha na kuweka mikakati ya kukabiliana na matatizo yanayotwa na ushindani wa kibiashara. Kwa hivyo, tumekuwa tukitoa nafasi za kazi pamoja na kutoa mafunzo kwa marubani na wahudumu wetu wa ndege katika kipindi cha mwaka mzima.

Na ili kufikia viwango vya mfumo wa kupanuka kwa mtandao na ununuzi wa ndege nyengine mpya, zaidi ya marubani 140 walipitia taratibu zetu za uteuzi. Kati yao 34 walikuwa na sifa zilizotakiwa na kulazimika kupitia vitengo kadhaa vya mchujo kabla ya kuajiriwa. Tunatafuta vipawa vya humu nchini na kutoa nafasi za kazi kwa wale wenye uwezo na sifa zinazotakikana.

Shirika letu linaendelea kuwekeza katika mpango wa kuwafunza marubani uitwao Ab-Initio ambao tangu kuanzishwa mnamo mwezi Juni mwaka 2002, jumla ya marubani wanafunzi 30 wamekamilisha mafunzo yao. Kati ya mwaka 2006/2007, shirika la KQ lina mipango ya kuwachukua watu 45 watakaowasilisha maombi yao kwetu kupitia mpango huu.

Shirika limeweka asilimia ya nusu kwa nusu ili kukidhi gharama za mafunzo. Pia marubani wanaopewa mafunzo haya wanaweka mikataba ya kazi kwa kipindi cha miezi 36.

Kupanuka kwa huduma zetu ndiko kunakosababisha mahitaji ya kuajiri marubani zaidi. Mapendekezo kadhaa bado yanazingatiwa ikiwemo kuajiri kwa kandarasi marubani kutoka nje wenye uzoefu wa kipindi kirefu, au kwa kipindi maalum hadi pale marubani wetu watakapokamilisha mafunzo yao.

Tangu kuanzishwa kwa safari za nchi za Mashariki ya Mbali kumekuwa na ushindani mkubwa wa lugha za kigeni za mataifa hayo. Hivyo basi tulilazimika kuajiri wenyeji wanaoongea lugha za Mandarin, Cantonese, Kichina na Ki-Thai. Kwa sasa tuna jumla ya wahudumu 39 wa mataifa ya kigeni ambao tuna mpango ya kuendelea kutufanyia kazi kwa muda wa miaka mitatu hadi mitano.

Ili kuimarisha ufanisi katika utendakazi wetu, kituo cha safari za ndege (OCC) kilifunguliwa mnamo mwezi Julai mwaka uliopita. Kituo hiki kinajumuisha idara nyengine za kusimamia safari za ndege, Biashara, Ufundi na Huduma za kwenye viwanja pamoja na idara ya shehena ili kufanikisha utoaji huduma kwa njia ifaayo.

Bei ya mafuta ya ndege bado inatia wasiwasi. Lakini kupitia ushirikiano na shirika la IATA, mipango kabambe imewekwa ili kuweka usimamizi madhubuti wa kupunguza gharama na uhifadhi wa mafuta ya ndege.

Huduma kwenye viwanja vya ndege

Usalama

Usalama katika kipindi cha mwaka huu umeimarika ikilinganishwa na mwaka jana. Kuwekuwa na asilimia 25% ya kuimarika ambapo visa vichache vya ukosefu wa usalama vikiripotiwa ikilinganishwa na mwaka jana.

Utendaji

Tatizo la wageni wanaoingia humu nchini kinyume cha sheria na wageni wasiokuwa na vibali limeongezeka. Kukabiliana na hili, kitengo maalum cha kuchunguza stakabadhi hizo kilibuniwa mwaka huu na mafunzo ya kukabiliana na vyeti bandia kutolewa.

Bado tuna kibarua kigumu katika kukabiliana na ongezeko la abiria wengi katika uwanja wa JKIA hasa katika maeneo ya kuegesha ndege, mahali pa kuingilia abiria pamoja na milango ya abiria ya kuingilia kwenye ndege.



Taarifa ya Afisa Mkuu

Utoaji Huduma

Mojawapo ya mageuzi ya kuimarisha huduma kuwa za kisasa, Idara ya Ushuru, KRA ilianzisha mfumo mpya wa kupunguza msongamano wa shehena ujulikanao kama (Simba) kuanzia tarehe 1 Julai mwaka 2005. Mfumo huu umeimarika na kwa sasa umeweza kupunguza idadi ya shehena zinazokaa kwa muda mrefu katika mabohari yetu hivi kwamba kupunguza gharama za uhifadhi wa shehena hizo mbali na kuongeza mapato ya huduma hii.

Tuna mipango ya kuimarisha uchukuzi wa mizigo ikiwemo mikoba ya abiria katika uwanja wa JKIA. Mfumo huu mpya utakuwa na uwezo wa kutafuta na kujua mikoba ilipo katika uwanja wa JKIA. Hii itasaidia pakubwa kuimarisha usalama na utoaji wa huduma.

Usalama

Kama shirika la ndege linalojali maslahi ya wateja wake, KQ imechukua hatua kabambe za kupambana na madawa ya kulevya. Tumetumia fedha nyingi kuanzisha idara maalum ili kutusaidia katika kupambana na walanguzi wa madawa ya kulevya. Hatua za usalama wa ziada pia zimechukuliwa ikiwemo kuangalia na kufanyia uchunguzi wa kina mizigo yote inayolingia na kutoka ikiwa ni pamoja na shehena na hata barua ili kuziba njia zote zinazoweza kutumiwa na walanguzi wa madawa ya kulevya.

Shirika la Kenya Airways pia linawaelimisha wafanyikazi wake kuhusu hatari na madhara ya ulanguzi wa madawa ya kulevya kuwa ni uvunjaji wa sheria humu nchini na hata katika mataifa ya nje. Kufuatia ongezeko la shehena na abiria kwenye uwanja wa JKIA, ulanguzi wa madawa ya kulevya limekuwa swala linalohitaji juhudi ya kila mmoja. Kitengo cha Mbwa wa Kunusa kilichoanzishwa na Kenya Airways kina jukumu kubwa la kuunga mkono kitaifa na kimataifa vita dhidi ya usafirishaji na matumizi ya madawa ya kulevya.

Ufundi

Idadi ya ndege zetu ziliongezeka kutoka ndege 20 hadi 21 katika kipindi cha mwaka mmoja kufuatia kuwasili kwa ndege ya pili na ya tatu aina ya B777s kati ya mwezi wa Aprili na Juni mwaka 2005. Pia tulirudisha ndege zetu mbili B767-300ERs kufuatia kukamilika kwa mkataba wake na kuagiza upya ndege yetu ya tano iaina ya B767-300ER mnamo mwezi Mei mwaka 2005.

Mwanzoni mwa mwezi wa Machi mwaka huu 2006, shirika letu liliagiza ndege nyengine sita aina ya Boeing 787 kukiwa na chaguo la kuongeza nyengine sita zaidi ili kubadilisha zile za sasa aina ya B767 na zile mpya zaidi aina ya Dreamliner. Kuwasilishwa kwa ndege hizi mbili kunatarajiwa mnamo mwaka wa 2010 na nyengine nne mnamo mwaka wa 2011. Uwezo wa Shirika la Kenya Airways katika utoaji wa huduma zake kote ulimwenguni utaimarika kwa kutumia ndege hizi aina ya 787 ambazo zina sifa ya hali ya juu ikiwemo starehe na aina zote za raha. Kenya Airways itakuwa ni mteja wa 27 wa Boeing waliojitolea kuagiza na kutumia ndege hizo aina ya 787 Dreamliner.

Idara ya ufundi iliwakaribisha wahandisi wapya wanafunzi 12 walioajiriwa mwanzoni mwa mwaka huu na kutumwa kwenye vituo na idara mbalimbali mnamo mwezi wa Disemba baada ya kupata mazoezi kadhaa ya masomo ya taaluma hiyo. Shirika la KQ pia limeajiri wahandisi 19 wenye vyeti vya Diploma na ambao kwa sasa wanaendelea na mafunzo ya kipindi cha miaka mitatu ambayo yatawawezesha kuwapa kibali na ujuzi wa taaluma ya kufanyia ukarabati aina yeyote za ndege.

Gharama zetu za kufanyia ukarabati na ufundi hazijapita bajeti yetu tuliyoiweka ilhali huduma za kutuma na kupeleka barua zimeimarika na kukua, ingawaje katika kipindi cha mwezi wa Machi kilipungua kidogo, lakini kwa sasa hali hiyo imebadilika. Kwa sasa tunaangazia kupata kibali cha Usalama cha Anga za Uropa (EASA) 145.



Karakana yetu ya mpya ya ndege yenye uwezo wa kuingiza ndege aina ya B777 ilitarajiwa kuzinduliwa katika mwezi wa Ogusti mwaka huu wa 2006. Kibali kutoka Mamlaka ya Kusimamia safari za ndege(KCAA) cha C-CHECK kwenye ndege za B777 kikitarajiwa kutolewa baada ya karakana hiyo kukamilika.

Idara hii ina ithibati ya KCAA kwa matengenezo yajulikanayo kama airframe pamoja na kuhusisha C-CHECK kwa ndege zetu.

Huduma za Shirika kwa Jamii (CSR)

Shirika la Kenya Airways linatambua majukumu yake kama shirika linalojali maslahi ya wateja wake, wafanyikazi wake, washikadau pamoja na jamii kwa ujumla. Maeneo mawili tuliyojitolea kuyapa kipaumbele katika mwaka 2005/6 ni Elimu na Maji. Huduma za Shirika letu kwa jamii zimewezeshwa Kenya Airways kushirikiana na Shirika la African Medical and Research Foundation (AMREF) kusaidia wenyeji wa wilaya ya Makueni-Mkoa wa Mashariki wanaokabiliwa na tatizo sugu la ukosefu wa maji.

Kwa kufanya hivyo, tulifadhili shirika la AMREF kwa gharama ya shilingi milioni 2 kuchimba visima katika maeneo kadhaa, hivi basi kuwapatia wenyeji hao nafasi ya kujishughulisha na njia za kujikimu kimaisha na pia kujiimarisha kiuchumi kufuatia kupatikana kwa maji kwenye eneo hilo. Mradi huu wa maji ulisaidia zaidi ya familia 400 na shule tano katika wilaya ya Makueni.

Harakati nyengine katika nyanja ya Elimu ni pamoja na utoaji wa mashine za Tarakilishi kwa shule. Chini ya mpango wa KQ/Boeing, jumla ya Tarakilishi 26 zilitolewa kwa shule tano za upili. Tarakilishi nyengine tano, na mashine tano za kuchapisha maandishi, pamoja na mashine ya kutoa nakala zilitolewa na chuo cha Utalii, ilhali Tarakilishi nyengine 20 zikatolewa kwa makao ya SOS yaliyopo Buru Buru. KQ pia imeshirikiana na shirika la Worldspace ili kusambaza masomo Kaskazini mwa Kenya. Chini ya mpango huu wa miaka mitatu KQ imekuwa ikisaidia jumla ya shule 220 katika mkoa wa Kaskazini Mashariki.

Mwaka huu Shirika la KQ linasherehekea miaka 10 ya ushinkiano kati yake na KLM. Katika kutambua ushirikiano huu tulianza ujenzi wa madarasa, pamoja na afisi za shule moja ya msingi katika eneo la Mukuru, Embakasi. Mradi huu utamalizika mwishoni mwa mwaka huu kwa gharama ya shilingi milioni 16 na utawafaidi jumla ya watoto 700 kutoka jamii zisizobahatika. Huu mradi ulifadhiliwa na KLM pamoja na Kenya Airways kwa asilimia 50% kila mmoja.

Katika mwaka huu, Shirika la KQ pia lilitoa mchango wa tiketi za ndege zilizopunguzwa bei kwa mashirika ya kusaidia wasiobahatika katika jamii, pamoja na ustawi wa miradi kadhaa ya kijamii. Kwa ujumla tulitoa jumla ya tiketi 36 zilizopunguzwa bei kwa ajili ya wagonjwa waliokuwa wakielekea nchini India kwa matibabu. Tutaendelea kuunga mikono na kufadhili miradi kama hii mwakani.

Titus Naikuni
Afisa Mkuu



African
oral
tradition

*May your action have an effect like
that of the seed of the baobab.*



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

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

Board of Directors

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

Nine out of the eleven members of the Board are non-executive including the Chairman of the Board, and all other than the Group Managing Director, Group Finance Director and two KLM Directors are subject to periodic reappointment in accordance with the company's Articles of Association.

Committees of the Board

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

Audit and Risk Management Committee

The Board has constituted an Audit and Risk Management committee which meets four times a year or as necessary. Its membership comprises Mr. Dinesh Kapila (Chairman), Mr. Joseph K. Kinyua, Mr. Micah Cheserem and Mr. Jos Veenstra. Its responsibilities include review of financial statements, compliance with accounting standards, liaison with the external auditors, remuneration of external auditors and maintaining oversight on internal control systems. The external and internal auditors, the Group Managing Director and the Group Finance Director attend all meetings of the committee. Other service line Directors attend as required to brief the committee.

Staff and Remuneration Committee

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

Nominations Committee

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



Corporate Governance

Internal Controls

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

Code of Ethics

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

Communication with Shareholders

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

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

Directors Emoluments and loans

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

There were no Directors loans at any time during the year. Directors interests in the share of the company, the distribution of the company's shareholding and analysis of the ten largest shareholders as at 31st March 2006 were as follows:-

Directors' Interests

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



*None is richer than the one
who has peace of mind.*

Proverb
from
the Acholi tribe,
Uganda



Shareholding

Summary of Shareholders as at 31st March 2006

Category	Number of Shareholders	Number of Shares Held	% of issued Share Capital
1 Kenyan Individual Investors	75,531	142,818,605	30.94
2 Kenya Institutional Investors	2,897	171,723,932	37.20
3 East African Individual Investors	38	143,382	0.03
4 East African Institutional Investors	5	583,748	0.13
5 Foreign Individual Investors	167	6,295,275	1.36
6 Foreign Institutional Investors	12	140,050,541	30.34
Total	78,650	461,615,483	100.00

Largest 10 Shareholders as at 31st March 2006

Acc No.	Name	Number of Shares held	% of issued Share Capital
1 500002	KLM - Konink Lijke Luchvaart Maatschappij	120,020,026	26.00
2 500001	Permanent Secretary to the Treasury	106,171,561	23.00
3 604	Paul Wanderi Ndungu	15,332,300	3.32
4 43699	Barclays (Kenya) Nominees Ltd Non-Resident A/c 9057	11,565,000	2.50
5 506050	Mansukhlal Khetshi Shah	9,386,843	2.03
6 4960	Mahendra Kumar Khetshi Shah	5,820,750	1.26
7 380881	Khetshi Dharamshi & Co Ltd	5,221,444	1.13
8 316385	Rameshchandra Khetshi Shah	4,665,094	1.01
9 156299	Apollo Insurance Co Ltd	4,381,633	0.94
10 88166	Shah Mahendra Kumar Khetshi	4,260,119	0.92
Sub-total		286,824,770	62.11
78,640	Other Shareholders	174,790,713	37.89
78,650	Grand-totals	461,615,483	100.00

Distribution of Shareholders as at 31st March 2006

Shares	Number of Shareholders	Number of Shares Held	% of issued Share Capital
1 to 500	34,914	16,146,061	3.49
501 to 5,000	41,150	53,098,870	11.50
5,001 to 10,000	1,196	8,678,246	1.88
10,001 to 100,000	1,210	33,080,811	7.17
100,001 to 1,000,000	160	44,252,874	9.59
Above 1,000,000	20	306,358,621	66.37
Total	78,650	461,615,483	100.00



*Our best seeds and our dearest fields -
those are our children.*

Saying
from
South Africa



*Friends are like seashells;
they murmur endlessly.*

Swahili
oral
tradition

Three year summary of financial highlights



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FINANCIAL HIGHLIGHTS

The Group	2006		2005		2004	
	KShs. Million	US\$ Million	KShs. Million	US\$ Million	KShs. Million	US\$ Million
Turnover						
Passenger	45,266	602.9	36,665	463.2	26,935	352.9
Freight & Mail	5,453	72.6	4,019	50.8	2,684	35.2
Handling	1,171	15.6	900	11.4	903	11.8
Other	914	12.2	650	8.2	462	6.1
Total	52,804	703.3	42,234	533.6	30,984	405.9
Direct Expenditure	(35,605)	(474.2)	(29,065)	(367.3)	(22,001)	(288)
Overheads	(9,496)	(126.5)	(6,580)	(83.1)	(6,306)	(82.6)
Operating Profit	7,703	102.6	6,589	83.2	2,677	35.1
Operating Margin%	14.6%		15.6%		8.6%	
Net Financial Expenses	(1,066)	(14.2)	(770)	(9.7)	(510)	(6.7)
Foreign exchange gain/(loss)	(191)	(2.5)	(372)	(4.7)	(151)	(2.0)
Other Non-Operating Items	514	6.8	73	0.9	59	0.8
Profit before tax & minority	6,960	92.7	5,520	69.7	2,075	27.2
Taxation	(2,131)	(28.4)	(1,645)	(20.8)	(773)	(10.1)
Minority Interest			7			
Profit for the year	4,829	64.3	3,882	49.0	1,302	17.1
Profit after Tax margin%	9.2%		9.2%		4.2%	
Dividends	809	10.8	577	7.3	346	4.5

Operating Statistics

	2006	2005	2004
Passengers	2,386,253	2,041,487	1,701,170
RPK's (Millions)	6,635	5,627	4,366
ASK's (Millions)	8,945	7,461	6,221
Passenger Load Factor (%)	74.2	75.4	70.2
Cargo Tonnes	55,093	44,405	32,147
Pax yield per RPK (Usc)	7.93	7.67	7.54

Employees

Airline	2,408	2,075	2,042
Group	3,599	3,222	2,977

Aircraft in Service at Year End

Boeing 777-200	3	1	0
Boeing 767-300	5	6	5
Boeing 737-700	4	4	4
Boeing 737-300	4	4	4
Boeing 737-200	3	3	3
SAAB 340	2	2	2
Beechcraft-1900C	0	0	1
Total	21	20	19

CMA-LIBRARY



Directors and Professional Advisors

EXECUTIVE DIRECTORS

- | | |
|-------------|--------------------------|
| T T Naikuni | - Managing Director |
| R N Cauty | - Group Finance Director |

NON EXECUTIVE DIRECTORS

- | | |
|--------------------------|--|
| Evanson Mwaniki | - Chairman - appointed on 12 August 2005 |
| Isaac Omolo Okero | - resigned on 12 August 2005 |
| H A Essenberg | |
| D Kapila | |
| M Cheserem | |
| Dr G K Ikiara | |
| J Kinyua | |
| D D Afande | |
| P F Hartman | |
| Ayisi Makatiani | - appointed on 12 August 2005 |
| Jos Veenstra | - alternate to HA Essenberg |
| Christopher Walter Obura | - resigned on 12 August 2005 |

SECRETARY

Fiona Fox
Chunga Associates
P O Box 41968 GPO
00100
Nairobi

REGISTERED OFFICE

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

REGISTRARS

Barclays Advisory and Registrars Services Limited
P O Box 30120 GPO
00100
Nairobi

AUDITORS

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

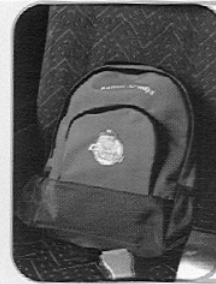
PRINCIPAL BANKERS

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

Citibank N A
P O Box 30711 GPO
00100
Nairobi

Report of the Directors

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The directors present their report together with the audited group financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

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

The group operates domestic flights and flies to 36 destinations in Africa, Middle East, Asia and Europe. At 31 March 2006, the group had 21 aircraft in operation, either owned or on operating leases. These comprised three Boeing 777 wide body jets, five Boeing 767 wide body jets, eleven 737 narrow body jets and two SAAB - 340B turboprops.

RESULTS

KShs' million

Group profit before taxation	6,960
Taxation	(2,131)
Net profit for the year transferred to revenue reserve	<u>4,829</u>

DIVIDENDS

The directors recommend the payment of a final dividend of KShs 1.75 per share (2005 - KShs 1.25 per share).

DIRECTORS

The board of directors is shown on page 44.

AUDITORS

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

BY ORDER OF THE BOARD

Fiona Fox
Secretary
Nairobi
30th May 2006



Statement of Directors' Responsibilities

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

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

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

Evanson Mwaniki
Director
30th May 2006

Titus Naikuni
Director
30th May 2006



Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 KShs'million	2005 KShs'million
Turnover	3	52,804	42,234
Direct expenditure	5(a)	(35,605)	(29,065)
Gross profit		17,199	13,169
Overheads	5(b)	(9,496)	(6,580)
Operating profit	4	7,703	6,589
Other income		427	54
Share of results of associated company	14(b)	87	19
		8,217	6,662
Finance costs (net)	6	(1,257)	(1,142)
Profit before taxation		6,960	5,520
Taxation	7(a)	(2,131)	(1,645)
Profit before minority interest		4,829	3,875
Minority interest	21	-	7
Net profit for the year	8	4,829	3,882
Earnings per share - basic	9	KShs 10.45	KShs 8.40
- diluted	9	KShs 10.45	KShs 8.40
Dividend per share	10	KShs 1.75	KShs 1.25

Independent Auditors' Report to the Members of Kenya Airways Limited and Subsidiaries

Deloitte.

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We have audited the financial statements on pages 48 to 80 for the year ended 31 March 2006 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

As described on page 46, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion

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

Opinion

In our opinion:

- (a) proper books of account have been kept by the company and the company's balance sheet is in agreement therewith;
- (b) the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 March 2006 and of the group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

Nairobi
30th May 2006

Consolidated Balance Sheet



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31 MARCH 2006

	Notes	2006 KShs' million	2005 KShs' million
ASSETS			
Non current assets			
Property, plant and equipment	11(a)	46,654	25,808
Intangible assets	12	343	74
Prepaid operating lease rentals	13	120	26
Investments in associated companies	14 (b)	137	50
Deposits	15	4,187	7,302
		51,441	33,260
Current assets			
Inventories	17	803	896
Trade and other receivables	18	5,231	4,134
Amounts due from related companies	28(a)	162	223
Tax recoverable	7(c)	513	-
Cash and cash equivalents	19(a)	11,144	6,309
		17,853	11,562
TOTAL ASSETS		69,294	44,822
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	2,308	2,308
Revenue reserve		13,900	9,071
Hedging reserve		1,049	373
Proposed dividends		-	577
Minority interest	21	-	11
Shareholders' funds		17,257	12,340
Non-current liabilities			
Borrowings	22(b)	28,545	15,704
Deferred tax	23	4,969	2,786
Deferred income	26	2,704	1,092
		36,218	19,582
Current liabilities			
Sales in advance of carriage		4,538	3,328
Trade and other payables	24	6,493	5,549
Accruals for staff leave entitlements	25	235	670
Deferred income	26	171	153
Amounts due to related companies	28(b)	-	10
Borrowings	22(b)	4,382	2,669
Tax payable	7(c)	-	521
		15,819	12,900
TOTAL EQUITY AND LIABILITIES		69,294	44,822

The financial statements on pages 48 to 80 were approved by the board of directors on 30th May 2006 and were signed on its behalf by:

Evanson Mwaniki
Director

Titus Naikuni
Director



Company Balance Sheet

31 MARCH 2006

	Notes	2006 KShs'million	2005 KShs'million
ASSETS			
Non current assets			
Property, plant and equipment	11 (b)	46,183	25,258
Intangible assets	12	343	72
Prepaid operating lease rentals	13	119	25
Investment in subsidiaries	14(a)	403	403
Investments in associated companies	14(b)	137	50
Deposits	15	4,187	7,302
Goodwill	16	-	34
		51,372	33,144
Current assets			
Inventories	17	803	896
Trade and other receivables	18	5,123	4,097
Amounts due from related companies	28(a)	425	579
Tax recoverable	7(c)	546	-
Cash and cash equivalents	19(a)	11,062	6,176
		17,959	11,748
TOTAL ASSETS		69,331	44,892
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	2,308	2,308
Revenue reserve		12,607	8,237
Hedging reserve		1,049	373
Proposed dividends		-	577
Shareholders' funds		15,964	11,495
Non-current liabilities			
Borrowings	22(b)	28,545	15,704
Deferred tax	23	5,015	2,834
Deferred income	26	2,704	1,092
		36,264	19,630
Current liabilities			
Sales in advance of carriage		4,538	3,328
Trade and other payables	24	6,385	5,449
Accruals for staff leave entitlements	25	221	653
Deferred income	26	171	153
Due to related companies	28(b)	1,406	1,035
Borrowings	22(b)	4,382	2,669
Tax payable	7(c)	-	480
		17,103	13,767
TOTAL EQUITY AND LIABILITIES		69,331	44,892

The financial statements on pages 48 to 80 were approved by the board of directors on 30th May 2006 and were signed on its behalf by:

Evanson Mwaniki
Director

Titus Naikuni
Director

Consolidated Statement of Changes in Equity



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FOR THE YEAR ENDED 31 MARCH 2006

	Share capital	Revenue reserve	Hedging reserve	Proposed dividends	Attributable to share holders of parent company	Minority interest	Total
All KShs million							
At 1 April 2004	2,308	5,766	-	346	8,420	18	8,438
Hedged exchange differences on loans	-	-	533	-	533	-	533
Deferred taxation on hedged exchange differences	-	-	(160)	-	(160)	-	(160)
Net profit/(loss) for the year	-	3,882	-	-	3,882	(7)	3,875
Dividends paid	-	-	-	(346)	(346)	-	(346)
Proposed dividends	-	(577)	-	577	-	-	-
At 31 March 2005	2,308	9,071	373	577	12,329	11	12,340
At 1 April 2005	2,308	9,071	373	577	12,329	11	12,340
Hedged exchange differences on loans	-	-	966	-	966	-	966
Deferred taxation on hedged exchange differences	-	-	(290)	-	(290)	-	(290)
Net profit for the year	-	4,829	-	-	4,829	-	4,829
Dividends paid	-	-	-	(577)	(577)	-	(577)
Acquisition by the shareholders of the parent company	-	-	-	-	-	(11)	(11)
At 31 March 2006	2,308	13,900	1,049	-	17,257	-	17,257

CMA-LIBRARY



Company Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2006

	Share capital	Revenue reserve	Hedging reserve	Proposed dividends	Total
All KShs million					
At 1 April 2004	2,308	5,794	-	346	8,448
Hedged exchange differences on loans	-	-	533	-	533
Deferred taxation on hedged exchange differences	-	-	(160)	-	(160)
Net profit for the year	-	3,020	-	-	3,020
Dividends paid	-	-	-	(346)	(346)
Proposed dividends	-	(577)	-	577	-
At 31 March 2005	2,308	8,237	373	577	11,495
At 1 April 2005	2,308	8,237	373	577	11,495
Hedged exchange differences on loans	-	-	966	-	966
Deferred taxation on hedged exchange differences	-	-	(290)	-	(290)
Net profit for the year	-	4,370	-	-	4,370
Dividends paid	-	-	-	(577)	(577)
At 31 March 2006	2,308	12,607	1,049	-	15,964

Consolidated Cash Flow Statement



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FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 KShs' million	2005 KShs' million
OPERATING ACTIVITIES			
Cash generated from operations	27	11,148	9,256
Taxation paid		(1,272)	(796)
Interest paid		(1,659)	(844)
Interest received		440	69
Net cash generated from operating activities		8,657	7,685
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11(a)	(23,408)	(12,361)
Purchase of intangible assets	12	(315)	-
Additions to prepaid lease rentals	13	(95)	-
Deposit refunds received	15	7,002	3,836
Deposits paid for aircraft purchases	15	(3,693)	(4,036)
Proceeds of disposal of property and equipment		13	84
Additional aircraft subsidy received	26	1,624	1,245
Net cash used in investing activities		(18,872)	(11,232)
FINANCING ACTIVITIES			
Proceeds of long term borrowing	22(c)	19,086	11,646
Repayment of long term borrowings	22(c)	(3,448)	(3,717)
Dividends paid	10	(577)	(346)
Buy out of minority interest in subsidiary	21	(11)	-
Net cash generated from financing activities		15,050	7,583
INCREASE IN CASH AND CASH EQUIVALENTS		4,835	4,036
CASH AND CASH EQUIVALENTS AT THE START OF THE YEAR		6,309	2,273
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	19	11,144	6,309



Notes to the Financial Statements

1 ACCOUNTING POLICIES

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

Adoption of new and revised international financial reporting standards

In 2005 several new and revised standards became effective for the first time and have been adopted by the group where relevant to its operations. Except for the change in IFRS 3 which requires discontinuation of amortisation of goodwill, the adoption of the other new and revised standards has no effect on the amounts reported for the current or prior years. These changes in presentation and disclosure are as follows:

- IFRS 3 now requires the discontinuation of amortisation of goodwill, elimination of the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill and subsequently testing of goodwill for impairment in accordance with IAS 36.
- IAS 1 on presentation of financial statements has necessitated the disclosure of critical management judgements and uncertainties.
- IAS 10 has affected the presentation of proposed dividends.
- IAS 16 requires the disclosure of comparative figures for movements in property and equipment.
- IAS 24 requires the disclosure of the compensation of key management personnel

At the date of authorisation of these financial statements, IFRS 7 on financial instruments disclosures was in issue but not yet effective. The adoption of this Standard, when effective is not expected to have a material impact on the financial statements of the group.

(a) Basis of consolidation

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

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

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

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation. A listing of the subsidiaries in the group is provided in note 14.

(b) Interests in associated companies

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

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



(c) Goodwill

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

Prior to 1 January 2005, goodwill was amortised on the straight line basis over its estimated economic life. IFRS 3 whose implementation is effective for periods beginning on or after 15 January 2005, and has therefore been adopted by the company in the current financial year requires the discontinuation of amortisation of goodwill, elimination of the carrying amount of the related accumulated amortisation with a corresponding decrease in goodwill and subsequent periodic testing of the goodwill for impairment in accordance with IAS 36

Goodwill arising on the acquisition of an associate is included within the carrying amount of the investment in the associate.

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

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

(d) Revenue recognition

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

Commission costs are recognised at the same time as the revenue to which they relate and are charged to cost of sales. Unutilised tickets older than two years are recognized as revenue as it is the opinion of the directors that there is insignificant liability attributable to such tickets.

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

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

(e) Leases

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

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

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



Notes to the Financial Statements

(f) Foreign currencies

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

(g) Borrowing costs

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

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

(h) Employee entitlements

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

(i) Retirement benefits costs

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

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

(j) Taxation

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

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

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

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

Notes to the Financial Statements

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(Taxation continued)

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

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

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

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

(k) Property, plant and equipment

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

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

Aircraft	%
Boeing 777, 737-300 & 737-700	5.56
SAAB-340B	10.00

Vehicles and equipment

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

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

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

(l) Leasehold land

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

(m) Intangible assets-computer software costs

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



Notes to the Financial Statements

(n) Impairment

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

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

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

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

(o) Inventories

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

(p) Financial instruments

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

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

Financial assets at fair value through profit or loss

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

Loans, advances and receivables

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

Held-to-maturity

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

Notes to the Financial Statements



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(Financial instruments continued)

Available-for-sale financial assets

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

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

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

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

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

Trade receivables

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

Investments

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

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

Bank borrowings

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

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

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



Notes to the Financial Statements

(Financial instruments continued)

Derivative financial instruments

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

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

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

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

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

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

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

(q) Provisions

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

(r) Manufacturers' credits (subsidies)

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

(s) Frequent flyer programmes

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



2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Impairment of aircraft

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

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

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

Provision for frequent flyer programme

The provision is based on miles outstanding valued at the incremental direct cost of providing the service. In arriving at the miles outstanding, an adjustment is made for miles which are not expected to be redeemed based on current trends. Incremental direct costs are arrived at based on the forecasted weighted average cost of the reward mix i.e redemptions on Kenya Airways' service and on non-airline or other member airlines. These estimates are reviewed on an annual basis and the liability adjusted as appropriate.

3 TURNOVER

	GROUP	
	2006 KShs'million	2005 KShs'million
Passengers	45,266	36,665
Freight and mail	5,453	4,019
Handling	1,171	900
Others	914	650
	<u>52,804</u>	<u>42,234</u>



Notes to the Financial Statements

4 SEGMENTAL INFORMATION

(a) Primary segment information - Geographical segments

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

Turnover

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

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

Geographical analysis of turnover

	2006 KShs'million	2005 KShs'million
Kenya	5,001	3,801
Africa	21,795	16,943
Middle East and Asia	9,153	8,594
Europe	16,855	12,896
	<u>52,804</u>	<u>42,234</u>

Geographical analysis of operating profit

	2006 KShs'million	2005 KShs'million
Kenya	859	695
Africa	3,225	2,671
Middle East and Asia	1,277	1,237
Europe	2,342	1,986
	<u>7,703</u>	<u>6,589</u>

Net assets

Geographical analysis of net assets

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

Notes to the Financial Statements



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(b) Secondary segment information - Business segments

Analysis of turnover per business segments

	2006 KShs'million	2005 KShs'million
Passengers	45,266	36,665
Freight and mail	5,453	4,019
Handling	1,171	900
Others	914	650
	52,804	42,234

Analysis of operating profit per business segments

Passengers	6,464	5,550
Freight, mail and others	1,239	1,039
	7,703	6,589

Analysis of net assets per business segments

Passengers	14,370	10,281
Freight, mail and others	2,887	2,059
	17,257	12,340

5 ANALYSIS OF OPERATING EXPENDITURE

(a) Direct expenditure

GROUP

	2006 KShs'million	2005 KShs'million
Aircraft fuel and oil	13,221	8,446
Hire of aircraft and engines	3,215	3,628
Aircraft landing, handling and navigation	5,441	4,591
Aircraft maintenance	2,493	2,817
Passenger services	2,884	2,490
Commissions on sales	2,797	2,958
Aircraft, passengers and cargo insurance	367	406
Depreciation on aircraft, engines and ground service equipment	2,043	1,213
Depreciation on rotatables and other equipment	75	88
Crew route expenses	1,116	944
Central reservation system (net) and frequent flyer programme	1,337	933
Others	616	551
	35,605	29,065



Notes to the Financial Statements

(b) Overheads

	2006 KShs'million	GROUP 2005 KShs'million
<i>Administration</i>		
Employee costs (note 5(c))	5,048	3,939
Legal and professional fees	196	139
Directors remuneration	76	73
Audit fees	10	9
General expenses*	2,753	1,294
	8,083	5,454
<i>Establishment</i>		
General maintenance and supplies	635	454
Depreciation of buildings and vehicles	442	397
	1,077	851
<i>Selling</i>		
Advertising and publicity	367	261
Bad debts (recovery)/provision	(31)	14
	336	275
Total overheads	9,496	6,580

* Includes enhanced pilot/cabin crew training and overseas travel for both existing and new crew regarding recent IATA Operational Safety Audit (IOSA) safety accreditation, new destinations, outstation costs, legal provisions and other sundry costs.

(c) Employee costs and numbers

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

	2006	GROUP 2005
<i>Numbers</i>		
Kenya	3,275	2,926
Overseas	324	296
	3,599	3,222

	2006 KShs'million	GROUP 2005 KShs'million
<i>Costs</i>		
Wages and salaries	3,657	2,981
Contributions to pension	191	202
Others	1,200	756
	5,048	3,939



6 FINANCE (COSTS) / INCOME

	GROUP	
	2006 KShs'million	2005 KShs'million
Interest receivable on deposits	440	69
Foreign currency loss	(191)	(372)
Interest payable on long term borrowings	(1,602)	(844)
Overdraft interest	(57)	(45)
Aircraft purchase subsidy	153	50
Net finance costs	(1,257)	(1,142)

7 TAXATION

(a) Income statement

	GROUP	
	2006 KShs'million	2005 KShs'million
Current tax charge	238	1,112
Deferred tax charge (Note 23)	1,893	533
Tax charge	2,131	1,645

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

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
Accounting profit before taxation	6,960	5,520	6,335	4,652
Tax at applicable rate of 30%	2,088	1,656	1,901	1,396
Tax effect of (expenses not deductible for tax)/non taxable income	43	(10)	64	182
Prior year deferred tax (overprovision)/underprovision	-	(1)	-	54
Current tax charge	2,131	1,645	1,965	1,632

(c) Balance sheet

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
Balance as at 1 April	521	205	480	233
Charge for the year	238	1,112	74	1,012
Paid during the year	(1,272)	(796)	(1,082)	(765)
Transfer from Kencargo Limited	-	-	(18)	-
Tax (recoverable)/payable	(513)	521	(546)	480



Notes to the Financial Statements

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Group is Kshs 4,829 million (2005 - KShs 3,882 million).

9 EARNINGS PER SHARE

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

	GROUP	
	2006	2005
Net profit attributable to Shareholders (KShs'million)	4,829	3,882
Weighted average number of ordinary Shares (million)	462	462
Basic earnings per share (KShs)	10.45	8.40

The basic and diluted earnings per share are the same as there were no potentially dilutive shares outstanding at 31 March 2006 nor at 31 March 2005.

10 DIVIDENDS

	2006 KShs'million	2005 KShs'million
Final dividends - proposed	808.5	577.0
Total dividends	808.5	577.0
Dividend per share	KShs 1.75	KShs 1.25

- (i) The dividend of KShs 577 million approved in the previous year was paid in the current financial year.
- (ii) The directors propose a final dividend of KShs 1.75 per ordinary share (totalling KShs 808,500,000). This proposal will be presented for formal approval at the forthcoming Annual General Meeting.
- (iii) Dividend per Share is arrived at by dividing the dividends payable by the number of shares in issue at the balance sheet date.



11 PROPERTY, PLANT AND EQUIPMENT

(a) GROUP

	Freehold land and buildings KShs' million	Aircraft and engines KShs' million	Vehicle and ground service equipment KShs' million	Total KShs' million
Cost				
At 1 April 2004	1,402	14,726	4,630	20,758
Additions	607	11,069	685	12,361
Disposals	-	-	(91)	(91)
At 31 March 2005	2,009	25,795	5,224	33,028
At 1 April 2005	2,009	25,795	5,224	33,028
Additions	166	22,233	1,009	23,408
Disposals	-	-	(55)	(55)
At 31 March 2006	2,175	48,028	6,178	56,381
Depreciation				
At 1 April 2004	188	2,739	2,564	5,491
Charge for the year	21	1,213	520	1,754
Eliminated on disposal	-	-	(25)	(25)
At 31 March 2005	209	3,952	3,059	7,220
At 1 April 2005	209	3,952	3,059	7,220
Charge for the year	25	2,043	489	2,557
Eliminated on disposal	-	-	(50)	(50)
At 31 March 2006	234	5,995	3,498	9,727
Net book value				
At 31 March 2006	1,941	42,033	2,680	46,654
At 31 March 2005	1,800	21,843	2,165	25,808

The value of aircraft charged as security for loans is KShs 47,143 million (2005 – KShs 24,938 million).
The details of the outstanding loans are shown on note 22.



Notes to the Financial Statements

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) COMPANY

	Freehold land and buildings KShs'million	Aircraft and engines KShs'million	Vehicle and ground service equipment KShs'million	Total KShs'million
Cost				
At 1 April 2004	872	13,976	3,626	18,474
Transfer from subsidiary	-	749	17	766
Additions	607	11,069	685	12,361
Disposals	-	-	(88)	(88)
At 31 March 2005	1,479	25,794	4,240	31,513
At 1 April 2005	1,479	25,794	4,240	31,513
Transfer from subsidiary	-	-	35	35
Additions	166	22,234	1,009	23,409
Disposals	-	-	(55)	(55)
At 31 March 2006	1,645	48,028	5,229	54,902
Depreciation				
At 1 April 2004	114	2,517	1,776	4,407
Transfer from subsidiary	-	223	9	232
Charge for the year	8	1,213	417	1,638
Eliminated on disposal	-	-	(22)	(22)
At 31 March 2005	122	3,953	2,180	6,255
At 1 April 2005	122	3,953	2,180	6,255
Transfer from subsidiary	-	-	32	32
Charge for the year	12	2,043	427	2,482
Eliminated on disposal	-	-	(50)	(50)
At 31 March 2006	134	5,996	2,589	8,719
Net book value				
At 31 March 2006	1,511	42,032	2,640	46,183
At 31 March 2005	1,357	21,841	2,060	25,258

The value of aircraft charged as security for loans is KShs 47,143 million (2005 - KShs 24,938 million). The details of the outstanding loans are shown on note 22.

The transfer from subsidiary in 2005/06 relates to assets previously owned by Kencargo Limited, and the transfer was effected, following the transfer of the subsidiary's operations to Kenya Airways Limited.

The transfer from subsidiary in 2004/05 related to assets previously owned by a wholly owned subsidiary, Flamingo Airlines limited, and the transfer was effected, following the transfer of the subsidiary's operations to Kenya Airways Limited.



12 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
<i>Cost</i>				
At beginning of the year	225	225	191	191
Additions for the year	315	-	316	-
At end of the year	540	225	507	191
<i>Amortisation</i>				
At beginning of the year	151	114	119	85
Amortisation for the year	46	37	45	34
At end of the year	197	151	164	119
Net book value	343	74	343	72

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

13 PREPAID OPERATING LEASE RENTALS

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
<i>Cost</i>				
At beginning of the year	30	30	29	29
Additions during the year	95	-	94	-
At end of the year	125	30	123	29
<i>Amortisation</i>				
At beginning of the year	4	3	4	3
Amortisation during the year	1	1	-	1
At end of the year	5	4	4	4
Net book value	120	26	119	25

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



Notes to the Financial Statements

14 INVESTMENTS

(a) Investment in subsidiaries

Details of investment	Country of incorporation	Activity	% of Equity interest	2006 KShs' million	2005 KShs' million
Kenya Airfreight Handling Limited (1,000 shares of KShs 20 each)	Kenya	Cargo and passenger handling	100%	*	*
Flamingo Airlines Limited (5,000 shares of KShs 20 each)	Kenya	Dormant	100%	*	*
KQ Leasing (No 1) Limited (2 shares of GBP 1 each)	United Kingdom	Dormant	100%	*	*
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Cargo sales agents	100%	19	19
African Cargo Handling Limited (5,753,822 shares of KShs 100 each)	Kenya	Cargo handling	100%	384	384
At 31 March				403	403

*Amounts invoiced are less than KShs one million and therefore lost in the rounding.

During the year, the operations of a subsidiary, Kencargo Limited, were transferred to Kenya Airways Limited under a group restructuring programme. Consequently, the subsidiary's shareholders' deficit has been charged to the income statement. Kencargo Limited remained dormant during the year ended 31 March 2006 and made no profit or loss.

(b) Investment in associated company

	GROUP & COMPANY	
	2006 KShs' million	2005 KShs' million
Precision Air Services Limited		
At beginning of the year	50	31
Share of net results of associated company	87	19
At end of the year	137	50

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



14 INVESTMENTS (Continued)

(c) Other Investments

	COMPANY	
	2006 KShs'million	2005 KShs'million
(i) African Tours and Hotels Limited (100,398 ordinary shares of KShs 20 each)	2	2
Less: Provision for impairment loss	(2)	(2)
At 31 March	-	-

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

(ii) The company holds 9 (2005 – 9) shares in SITA S.C loyalty programme. These shares were acquired at nil consideration and therefore the investment has no corresponding value in the financial statements.

15 DEPOSITS

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
Deposits for aircraft leases under long-term operating leases	74	37	74	37
Deposits paid towards acquisition of aircraft	4,108	7,260	4,108	7,260
Maintenance deposits	5	5	5	5
	4,187	7,302	4,187	7,302

The deposits under long-term operating leases relate to lease of Boeing 767 engines.

The deposits for acquisition of aircrafts represent amounts paid to Boeing Corporation towards acquisition of one Boeing 777-200 aircraft scheduled for delivery in February 2007.

The movement in deposits is as follows:

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
At beginning of the year	7,302	7,472	7,302	7,472
Additional deposits made	3,693	4,036	3,693	4,036
Refunds in the year	(7,002)	(3,836)	(7,002)	(3,836)
Exchange differences	194	(370)	194	(370)
At the end of the year	4,187	7,302	4,187	7,302



Notes to the Financial Statements

16 GOODWILL

	GROUP		COMPANY	
	2006 KShs' million	2005 KShs' million	2006 KShs' million	2005 KShs' million
<i>Cost</i>				
At beginning of the year	-	-	57	57
Elimination of accumulated amortisation	-	-	(23)	-
Written off in the year	-	-	(34)	-
At the end of the year	-	-	-	57
<i>Amortisation</i>				
At beginning of the year	-	-	23	12
Charge for the year	-	-	-	11
Elimination of accumulated amortisation	-	-	(23)	-
At the end of the year	-	-	-	23
Net book value	-	-	-	34

The goodwill related to residual goodwill from consolidation of subsidiaries in previous years. This has been written off in the current year.

17 INVENTORIES

	GROUP		COMPANY	
	2006 KShs' million	2005 KShs' million	2006 KShs' million	2005 KShs' million
Aircraft consumables inventories	540	738	540	738
Other inventories	263	158	263	158
	803	896	803	896

18 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2006 KShs' million	2005 KShs' million	2006 KShs' million	2005 KShs' million
Trade - Airlines	1,082	922	1,041	896
Trade - Agents	2,775	2,018	2,760	2,015
Trade - Others	864	675	864	675
Trade - Government ministries and parastatals	4	11	4	11
Prepayments	393	409	393	405
Staff receivables	48	18	48	18
Other receivables	65	81	13	77
	5,231	4,134	5,123	4,097

Notes to the Financial Statements

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19 CASH AND CASH EQUIVALENTS

(a) Balance sheet

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
Cash in hand and at bank	5,038	3,115	4,956	2,982
Short-term deposits	4,271	2,197	4,271	2,197
Treasury bills	1,835	997	1,835	997
	11,144	6,309	11,062	6,176

Included in cash in hand and at bank is an amount of KShs 123 million (2005 - KShs 184 Million) which represents cash balances held with banks in Seychelles which cannot be repatriated due to foreign exchange scarcity and foreign exchange transfer restrictions in that country. The company has reached an agreement with the Seychelles Government to be allowed to utilise the funds to settle certain expenses incurred in that country, it continued to utilize this facility in the current financial year.

(b) Cash flow statement

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

	GROUP	
	2006 KShs'million	2005 KShs'million
Cash in hand and at bank	5,038	3,115
Short term deposits	4,271	2,197
Treasury bills	1,835	997
	11,144	6,309

The average effective interest rate on treasury bills is 6.5% to 8.52%. (2005 - 8.05% to 8.65%).
Short term deposits have an average maturity of 30 to 90 days and effective interest rates of 0.50% to 13% (2005 - 0.5% to 12%) depending on the country where the deposit has been placed.

20 SHARE CAPITAL

	GROUP & COMPANY	
	2006 KShs'million	2005 KShs'million
Authorised:		
1,000,000,000 ordinary shares of KShs 5 each	5,000	5,000
Issued and fully paid:		
461,615,483 ordinary shares of KShs 5 each	2,308	2,308

CMA-LIBRARY



Notes to the Financial Statements

21 MINORITY INTEREST

	GROUP	
	2006 KShs'million	2005 KShs'million
At beginning of the year	11	18
Share of loss for the year	-	(7)
Interest acquired by the company during the year	(11)	-
At end of the year	-	11

The purchase of minority interest relates to buy out of the minority shareholders of Kencargo Limited.

22 BORROWINGS

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

	Average interest rates	Maturities	USD Million	GROUP & COMPANY	
				2006 KShs' million	2005 KShs' million
PEFCO - Aircraft Loans	6.6%	2010 - 2011	42	3,212	4,027
Barclays Bank PLC - Aircraft Loans	4.5%	2005 - 2014	384	28,239	13,457
Barclays Capital - Predelivery Loans	5.78%	2006 - 2007	20	1,476	889
			446	32,927	18,373

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

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

During the year, the company secured an additional loan of USD 230.113 million (KShs 16.98 billion) from Barclays Bank PLC to finance the purchase of two B777-200 aircraft registration 5Y-KQT and 5Y-KQS. The loan is payable in successive quarterly principal instalments over a period of 12 years and attracts interest at a fixed rate of 5.0% per annum. The loan facility is guaranteed by the Export-Import Bank of the United States of America (Eximbank). The facility is secured through a charge over the aircraft whose purchase was financed through the loans.

The company also obtained a loan totalling USD 20 million (KShs 1.476 billion) from Barclays Bank of Kenya Limited to fund the pre-delivery deposits payable to Boeing for the purchase of one Boeing 777-200ER due for delivery in February 2007. The loan attracts interest at a variable rate of 3 months LIBOR plus 0.8% and is repayable in full on 31 March 2007 together with interest. The loan is provided on an unsecured basis.

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

	GROUP & COMPANY	
	2006 KShs'million	2005 KShs'million
Within one year	4,382	2,669
After one year	28,545	15,704
	32,927	18,373

Notes to the Financial Statements



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(Borrowings continued)

The movement in borrowings is as follows:

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
At beginning of the year	18,373	11,409	18,373	11,409
Additional loans received	19,086	11,646	19,086	11,646
Repaid in the year	(3,448)	(3,717)	(3,448)	(3,717)
Exchange difference	(1,084)	(965)	(1,084)	(965)
At end of the year	32,927	18,373	32,927	18,373
The exchange difference comprises:				
Amount transferred to hedge reserve	(966)	(533)	(966)	(533)
Amount credited to income statement	(118)	(432)	(118)	(432)
	(1,084)	(965)	(1,084)	(965)

(c) Credit line facilities

The group has multi-currency credit line facilities with a total value of KShs 11,661 million with various local and international banks for tenures of one year renewable. As at 31 March 2006, the group had utilised guarantees amounting to KShs 917 million against these facilities leaving an unutilised balance of KShs 10,744 million.

23 DEFERRED TAX

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

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
Deferred tax asset				
Leave pay provision	(70)	(201)	(70)	(199)
Stock provisions	(14)	(14)	(14)	(14)
Unrealised exchange gain	(5)	(148)	(5)	(148)
Other provisions	(376)	(24)	(376)	(20)
	(465)	(387)	(465)	(381)
Deferred tax liability				
Accelerated capital allowances	4,984	3,013	5,030	3,055
Hedged reserve	450	160	450	160
	5,434	3,173	5,480	3,215
Net deferred tax liability	4,969	2,786	5,015	2,834

The movement in the deferred tax liability is explained as follows:

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
Balance at beginning of year	2,786	2,093	2,834	2,054
Income statement charge (note 7(a))	1,893	533	1,891	620
Deferred tax dealt with in equity	290	160	290	160
Balance at the end of year	4,969	2,786	5,015	2,834



Notes to the Financial Statements

24 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2006	2005	2006	2005
	KShs'million	KShs'million	KShs'million	KShs'million
Trade payables	3,122	2,107	3,104	2,096
Other payables and accruals	3,371	3,442	3,281	3,353
	6,493	5,549	6,385	5,449

25 ACCRUALS FOR STAFF LEAVE ENTITLEMENTS

	GROUP		COMPANY	
	2006	2005	2006	2005
	KShs'million	KShs'million	KShs'million	KShs'million
At 1 April	670	513	653	506
Leave entitlement for the year	198	183	-	147
Amounts utilised during the year	(633)	(26)	(432)	-
At 31 March	235	670	221	653

26 DEFERRED INCOME

	GROUP		COMPANY	
	2006	2005	2006	2005
	KShs'million	KShs'million	KShs'million	KShs'million
At start of the year	1,245	-	1,245	-
Additional subsidy	1,624	1,295	1,624	1,295
Released to income	(153)	(50)	(153)	(50)
Capitalised in plant and equipment	159	-	159	-
	2,875	1,245	2,875	1,245

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

	GROUP	
	2006	2005
	KShs'million	KShs'million
Deferred income comprises:		
Amounts due within one year	171	153
Amounts due after one year	2,704	1,092
	2,875	1,245

Notes to the Financial Statements

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27 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	Notes	GROUP	
		2006 KShs'million	2005 KShs'million
Operating profit		7,703	6,589
Adjustments for:			
Depreciation	11	2,557	1,754
Amortisation of intangible assets	12	46	37
Amortisation of prepaid lease rentals	13	1	1
Aircraft purchase subsidy transferred to income	26	(153)	(50)
Other income		427	54
Net gain on disposal of property and equipment		(8)	(18)
Exchange loss		(191)	(372)
Write off relating to minority interest		-	(7)
Operating profit before working capital changes		10,382	7,988
Decrease/(increase) in inventories		93	(37)
Increase in trade and other receivables		(1,097)	(909)
Increase in sales in advance of carriage		1,210	1,051
Increase in payables		944	1,223
(Decrease)/increase in accruals		(435)	157
Movement in related party balances		51	(217)
Cash generated from operations		11,148	9,256

28 RELATED PARTIES

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

KLM Royal Dutch Airlines

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

Precision Air Services Limited

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

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



Notes to the Financial Statements

(Related parties continued)

Balances outstanding on account of transactions with related parties were as follows as at 31st March 2006:

(a) Amounts due from related companies

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
Kenya Airfreight Handling Limited	-	-	283	268
Kencargo Airlines International	-	-	-	92
Precision Air Services Limited	162	217	142	217
KLM Royal Dutch Airlines	-	4	-	2
Martinair Holland NV	-	2	-	-
	162	223	425	579

(b) Amounts due to related companies

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
African Cargo Handling Limited	-	-	1,030	661
Kenya Airfreight Handling Limited	-	-	376	374
KLM Royal Dutch Airlines	-	1	-	-
Martinair Holland NV	-	9	-	-
	-	10	1,406	1,035

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

(c) Other related parties

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

(d) Remuneration of directors and key management compensation

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

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
Salaries and other benefits	169	174	138	145
Non-monetary benefits	13	16	9	14
	182	190	147	159

Directors remuneration (included in key management compensation above)

	GROUP		COMPANY	
	2006 KShs'million	2005 KShs'million	2006 KShs'million	2005 KShs'million
As executives	67	65	67	65
As non-executives	9	8	9	8
	76	73	76	73
Non-monetary benefits	6	6	6	6
	82	79	82	79



29 CAPITAL EXPENDITURE COMMITMENTS

As at 31 March 2006 the company had purchase commitments for aircraft fleet and equipment incidental to the ordinary course of business as follows:

	GROUP	
	2006 KShs'million	2005 KShs'million
Authorised and contracted for	9,963	19,389
Authorised but not contracted for	2,405	1,039
	<u>12,368</u>	<u>20,428</u>

The commitments authorised and contracted for include the purchase of one Boeing 777-200 aircraft with a value of KShs 9.9 billion, due for delivery in February 2007.

30 OPERATING LEASE COMMITMENTS

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

	GROUP	
	2006 KShs'million	2005 KShs'million
Within one year	4,834	3,650
After one year but not more than five years	12,441	8,013
	<u>17,275</u>	<u>11,663</u>

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

31 CONTINGENCIES

(a) Contingent liabilities

	GROUP	
	2006 KShs'million	2005 KShs'million
Guarantees	500	551
Litigation	274	1,213
	<u>774</u>	<u>1,764</u>

Guarantees

In the ordinary course of business, the group has given guarantees to a bank in favour of third parties amounting to KShs 500 Million (2005 – KShs 551 Million). In the opinion of the directors, no liability is expected to crystallise in respect of the guarantees.

Litigation

These relate to various legal cases brought against the company which are pending determination by the courts. It is not practicable to determine the timing and final amounts (if any). However, on grounds of prudence, management has made appropriate provisions in respect of certain cases. Due to the nature and sensitivity of these cases, detailed disclosure has not been made for each case as this may be prejudicial to the position of the company.



Notes to the Financial Statements

(b) Contingent assets

	GROUP	
	2006 KShs'million	2005 KShs'million
Litigation	98	98

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

32 FINANCIAL RISK MANAGEMENT

(a) Interest rate risk

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

Most of the group's debt is asset related, reflecting the capital intensive nature of the airline industry. At 31 March 2006, all the group's borrowings were at fixed rates of interest and there were no borrowings at floating rates.

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

(b) Foreign currency risk

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

(c) Credit risk

The company's accounts receivable are generated largely from the sale of passenger airline tickets and cargo transportation services. Majority of these sales are in accounts receivable which are generally short term in duration. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

(d) Fuel price risk

The company's fuel risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices. To meet this objective, the company uses fuel hedges within approved limits and with approved counterparties accordingly. There were derivative financial instruments held to manage fuel price risk at 31 March 2006. The company has entered into fuel hedging contracts for some 80 percent of its anticipated fuel requirements for the period up to 30 October 2006.

33 COMPARATIVES

Where necessary, prior year comparatives have been restated to conform to changes of presentation in the current year.

34 CURRENCY

The financial statements are presented in Kenya Shillings Millions.

COLLECTION

PARENTAGE TESTING PROCEDURE - Collection of Bodily Samples
Regulation 21J; Form 4

Revised on 12 January 2007

PLEASE NOTE: All questions on this form must be answered. Pen must be used on this form. Errors must be crossed out and initialed and the correct information written adjacent (no white-out or write-overs). **Any incomplete/incorrect fields will result in testing being delayed.**

Name of child whose parentage is in issue: _____

I, _____,

(name of sample collector)

of _____

(professional address)

(occupation)

(telephone number)

took the bodily sample(s) specified below at _____ on ____/____/____

(time)

(date)

at _____

(place of collection)

from the following person(s):

Photograph	Attach Photograph Here	Attach Photograph Here	Attach Photograph Here
Name of Donor			
Date of Birth			
Type of Sample			
Identification (if available)			

When I took the bodily sample(s) specified above, I strictly observed the procedures provided under Part IIA of the Family Law Regulations.

I placed the bodily sample(s) specified above in a container that was immediately sealed and then labelled in accordance with regulation 21I of the Family Law Regulations.

Signature _____

Date ____/____/____

Day of sample collection

- Take all of the paperwork with you on the day of the sample collection.
- The same legal guardian that completed the underage child's Affidavit must accompany the underage child to the sample collection.
- Prior to your collection, but on the same day of your collection, you must sign your Affidavit form in the presence of a Justice of the Peace and have the Justice of the Peace also sign the Affidavit form.
- Attend the sample collection, during which the collector will complete the Collection form and will send all paperwork, payment and samples directly to DNA Solutions:

DNA SOLUTIONS
145-157 St. John Street
London EC1V 4PY

TEL: 0845-450-0010

There are three (3) possible results from a paternity test:

- 1) If there are three (3) or more mis-matching regions of DNA between the child and the alleged father, the alleged father is excluded as the biological father with 100% certainty.
- 2) If the DNA matches in all regions or in all but one (1) region between the child and the alleged father, the alleged father cannot be excluded as (is likely to be) the biological father with an average of 99.98% certainty in a father-child test (greater accuracy can be expected when including the mother in the testing). When reporting a cannot exclude result, two statistical values will also be reported that indicate the likelihood that the alleged father is the biological father of the child in question, based upon the strength of the genetic results.
- 3) An inconclusive result may be reported if there are two (2) mis-matching regions of DNA between the child and the alleged father, depending upon the genetics of these two mis-matching regions.

Kit contents

Please ensure that your test kit includes all of the following, in addition to this document. If you are missing any of this paperwork, please contact DNA Solutions Pty. Ltd. immediately.

- Affidavit form for each adult party at this address
- Collection form
- A Parentage Testing Information Sheet for each adult party at this address (including a Paternity Testing Payment Advice for each adult party at this address)

Prior to your sample collection

- Contact DNA Solutions Pty. Ltd. to arrange for sample collection in your area.
- Obtain two (2) passport-sized photographs of each donor for the test (copies are not permitted). These do not have to be official passport photos, but should be approximately 45mm x 35mm showing a full face view of the donor's head and shoulders against a plain background.
- Each adult (18 years or older) must complete a separate Affidavit form, including attaching one (1) of their two (2) photographs.
DO NOT SIGN AT THIS TIME.
- A legal guardian of the child (if under the age of 18) must complete the Affidavit form on the child's behalf.
DO NOT SIGN AT THIS TIME.
- Attach the second of the two (2) photographs for each to the Collection form.
- Each adult (18 years or older) should complete a Parentage Testing Information Sheet, including payment information (at least one Parentage Testing Information Sheet must be completed for each paternity test).
- Some collection points prefer not to handle payments, so we recommend you ask your collection point about this ahead of time if you plan on paying by cheque or money order (credit card details can simply be entered on the Parentage Testing Payment Advice and do not require any involvement by the collection point). If your collection point prefers not to handle a cheque or money order, and this is your preferred method of payment, you should send the cheque or money order directly to DNA Solutions.

AFFIDAVITPARENTAGE TESTING PROCEDURE - Affidavit by/in relation to donor
Subregulation 21F(1); Form 2

Revised on 12 January 2007

PLEASE NOTE: All questions on this form must be answered (excluding the child's information if the child is not being sampled on this form). Pen must be used on this form. Errors must be crossed out and initialed and the correct information written adjacent (no white-out or write-overs). **Any incomplete/incorrect fields will result in testing being delayed.**

Name of child whose parentage is in issue: _____

Name of donor: _____
(i.e. name of the mother, alleged father, etc.)Relationship of donor to the child whose parentage is in issue: _____
(i.e. mother, alleged father, etc.)Name of the other party to be involved in the testing: _____
(i.e. full name of the other adult donor)I _____ Telephone: () _____
(name)
of _____
(address)

make oath and affirm:

	PART I: ADULT To be completed by the donor (i.e. mother, alleged father or adult child)	PART II: CHILD To be completed by the guardian on behalf of a child (if under 18 years) or an adult not capable of signing
Photograph	Attachment A1 Attach Photograph Here	Attachment A2 Attach Photograph Here
Oath	I, _____, am the person appearing in the photograph attached to this affidavit, being Attachment A1	_____ is the person appearing in the photograph attached to this affidavit, being Attachment A2
Date of Birth		
Racial background (if unknown, enter "UNK")		

There are three (3) possible results from a paternity test:

- 1) If there are three (3) or more mis-matching regions of DNA between the child and the alleged father, the alleged father is excluded as the biological father with 100% certainty.
- 2) If the DNA matches in all regions or in all but one (1) region between the child and the alleged father, the alleged father cannot be excluded as (is likely to be) the biological father with an average of 99.98% certainty in a father-child test (greater accuracy can be expected when including the mother in the testing). When reporting a cannot exclude result, two statistical values will also be reported that indicate the likelihood that the alleged father is the biological father of the child in question, based upon the strength of the genetic results.
- 3) An inconclusive result may be reported if there are two (2) mis-matching regions of DNA between the child and the alleged father, depending upon the genetics of these two mis-matching regions.

Kit contents

Please ensure that your test kit includes all of the following, in addition to this document. If you are missing any of this paperwork, please contact DNA Solutions Pty. Ltd. immediately.

- Affidavit form for each adult party at this address
- Collection form
- A Parentage Testing Information Sheet for each adult party at this address
(including a Paternity Testing Payment Advice for each adult party at this address)

Prior to your sample collection

- Contact DNA Solutions Pty. Ltd. to arrange for sample collection in your area.
- Obtain two (2) passport-sized photographs of each donor for the test (copies are not permitted). These do not have to be official passport photos, but should be approximately 45mm x 35mm showing a full face view of the donor's head and shoulders against a plain background.
- Each adult (18 years or older) must complete a separate Affidavit form, including attaching one (1) of their two (2) photographs.
DO NOT SIGN AT THIS TIME.
- A legal guardian of the child (if under the age of 18) must complete the Affidavit form on the child's behalf.
DO NOT SIGN AT THIS TIME.
- Attach the second of the two (2) photographs for each to the Collection form.
- Each adult (18 years or older) should complete a Parentage Testing Information Sheet, including payment information (at least one Parentage Testing Information Sheet must be completed for each paternity test).
- Some collection points prefer not to handle payments, so we recommend you ask your collection point about this ahead of time if you plan on paying by cheque or money order (credit card details can simply be entered on the Parentage Testing Payment Advice and do not require any involvement by the collection point). If your collection point prefers not to handle a cheque or money order, and this is your preferred method of payment, you should send the cheque or money order directly to DNA Solutions.

DNA SOLUTIONS PTY. LTD. PARENTAGE TEST

DNA Solutions Pty. Ltd. is a leading DNA paternity testing company that holds International Organization for Standardisation (ISO) accreditation 17025, granted by the National Association of Testing Authorities (NATA). DNA Solutions Pty. Ltd. can perform a paternity test for legal purposes including confirming/challenging a will, providing evidence in a court of law, obtaining/changing a birth certificate, etc. The results of this paternity test will be recognised by government departments including the Child Support Agency, Births Deaths and Marriages, Family Law Court, Immigration, etc.

Many paternity testing companies require that the mother of an underage child be included in the parentage testing. At DNA Solutions Pty. Ltd. we are capable of determining paternity by testing only the child and the alleged father, for an additional cost. Please be advised, however, that a father-child test will not be as accurate as a test that does include the mother (see Explanation of Testing below for further details on the accuracy that can be expected). Close blood relatives (e.g. siblings) will share more regions of DNA than two randomly selected individuals. Thus, if there is a situation where two (2) possible fathers of a particular child are brothers, it is recommended that both alleged fathers be tested.

Normal processing requires approximately 10 - 15 working days to complete, excluding mailing time. Expedited testing is available at an additional cost, if desired. Testing will not commence until full payment has been received. Reports will be issued to all adult participants and/or their legal representatives. Receipts will be issued upon request.

Explanation of testing

Every person receives half of their DNA from their mother and half from their father. The DNA extracted from the mother's sample is compared with that from the child. Any DNA the child has that the mother does not have must, therefore, have come from the biological father.

Example: Mother 9,10 Child 10,11 Father 11,13

The child received the 10 from his/her mother, meaning that the 11 had to come from the biological father. In this example, this father has the necessary allele to fulfill the child's genetic profile in this particular region.

In a father-child test, the DNA from the father and child are still compared to determine if there is a match or a mismatch, but without the benefit of knowing which DNA the child received from the mother (hence the decreased accuracy of a father-child test).

Example: Child 10,11 Father 11,13

The child received either a 10 or an 11 from his/her father, and the alleged father in the example could have donated an 11 or a 13. In this example, this father has the necessary allele to fulfill the child's genetic profile in this particular region.

Name of donor: _____
(i.e. name of the mother, alleged father, etc.)

Relationship of donor to the child whose parentage is in issue: _____
(i.e. mother, alleged father, etc.)

Name of the other party to be involved in the testing: _____
(i.e. full name of the other adult donor)

I _____ Telephone: () _____
(name)
of _____
(address)

make oath and affirm:

	PART I: ADULT To be completed by the donor (i.e. mother, alleged father or adult child)	PART II: CHILD To be completed by the guardian on behalf of a child (if under 18 years) or an adult not capable of signing
Photograph	Attachment A1 Attach Photograph Here	Attachment A2 Attach Photograph Here
Oath	I, _____, am the person appearing in the photograph attached to this affidavit, being Attachment A1	_____ is the person appearing in the photograph attached to this affidavit, being Attachment A2
Date of Birth	_____	_____
Racial background (if unknown, enter "UNK")	_____	_____

Page 1 of 2

Your name: _____

Address: _____

☐ Telephone: () _____

Password: _____
(required for any information to be discussed over the telephone)

☐ E-mail: _____

Name of your Solicitor (if applicable) _____

Firm: _____

☐ Address: _____

☐ Telephone: () _____
(At the time of calling, the Solicitor should be prepared with the password or detailed information of all donors to ensure his/her correct identity.)

☐ E-mail: _____

To give DNA Solutions Pty. Ltd. permission to release information and/or results about your parentage testing to your Solicitor, you must sign here:

AFFIDAVITPARENTAGE TESTING PROCEDURE - Affidavit by/in relation to donor
Subregulation 21F(1), Form 2

Revised on 12 January 2007

	PART I: ADULT	PART II: CHILD
In the past two (2) years I have suffered from leukaemia.	Yes No	Yes No
In past 2 years I have received a bone marrow transplant.	Yes No	Yes No
In the past six (6) months I have received a transfusion of blood or blood product.	Yes No	Yes No
If YES to any of the above questions, please provide details.		

PART I: ADULT	PART II: CHILD
I consent to (a) the taking of a bodily sample(s) from myself on _____ (date of collection) at _____ (place of collection) for the purpose of a parentage testing procedure(s); and (b) the carrying out of the procedure(s) on the sample(s).	I consent to (a) the taking of a bodily sample(s) from the donor on _____ (date of collection) at _____ (place of collection) for the purpose of a parentage testing procedure(s); and (b) the carrying out of the procedure(s) on the sample(s).

SWORN by the donor or guardian at _____ on ____ / ____ / ____**Signature of donor or guardian: _____****Witness: _____**
(Print name of person before whom the affidavit is sworn or affirmed)_____
(Signature of person before whom the affidavit is sworn or affirmed)

PLEASE NOTE: All questions on this form must be answered (excluding the child's information if the child is not being sampled on this form). Pen must be used on this form. Errors must be crossed out and initialed and the correct information written adjacent (no white-out or write-overs). Any incomplete/incorrect fields will result in testing being delayed.

AFFIDAVITPARENTAGE TESTING PROCEDURE - Affidavit by/in relation to donor
Subregulation 21F(1); Form 2

Revised on 12 January 2007

PLEASE NOTE: All questions on this form must be answered (excluding the child's information if the child is not being sampled on this form). Pen must be used on this form. Errors must be crossed out and initialed and the correct information written adjacent (no white-out or write-overs). **Any incomplete/incorrect fields will result in testing being delayed.**

Name of child whose parentage is in issue: _____

Name of donor: _____
(i.e. name of the mother, alleged father, etc.)Relationship of donor to the child whose parentage is in issue: _____
(i.e. mother, alleged father, etc.)Name of the other party to be involved in the testing: _____
(i.e. full name of the other adult donor)

I _____ Telephone: (____) _____
(name)
of _____
(address)

make oath and affirm:

	PART I: ADULT To be completed by the donor (i.e. mother, alleged father or adult child)	PART II: CHILD To be completed by the guardian on behalf of a child (if under 18 years) or an adult not capable of signing
Photograph	Attachment A1 Attach Photograph Here	Attachment A2 Attach Photograph Here
Oath	I, _____, am the person appearing in the photograph attached to this affidavit, being Attachment A1	_____ is the person appearing in the photograph attached to this affidavit, being Attachment A2
Date of Birth		
Racial background (if unknown, enter "UNK")		