

Kenya Airways Plc

*2022 Integrated Report &
Financial Statements*





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KQ Medical Centre

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS	Mr. Allan Kilavuka - Managing Director & CEO
NON-EXECUTIVE DIRECTORS	Mr. Michael Joseph - Chairman Dr. Haron Sirima - (Representative of C.S. The National Treasury) Mr. Mohamed Daghar - (P.S. State Department for Transport) Eng. Michael Muchiri - (Alternate to P.S. State Department Transport) Maj.Gen.(Rtd) Michael Gichangi Ms. Caroline Armstrong Mr. John Ngumi (Resigned on 30th May 2023) Mr. John Wilson * Mr. Philip Wambugu Ms. Esther Koimett - (Retired on 8th July 2022) Mr. Angus Clarke** - (Resigned on 30th November 2022) Mr. Christopher Buckley*** - (Appointed on 27th March 2023) Mr. David Kabeberi - (Appointed on 30th May 2023)
	* Swedish ** Australian *** Canadian & British
COMPANY SECRETARY	Mr. Habil A. Waswani Certified Secretary (Kenya) Kenya Airways Headquarters and Base Airport North Road, Embakasi P.O. Box 19002 - 00501 Nairobi
AUDITORS	PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way/Chiromo Road, Westlands P.O Box 43963-00100 Nairobi, Kenya
REGISTERED OFFICE	Kenya Airways Headquarters and Base Airport North Road, Embakasi P.O. Box 19002 - 00501 Nairobi
REGISTRARS AND TRANSFER OFFICE	Custody & Registrars Services Limited 6th Floor, Bruce House Standard Street P.O. Box 8484 - 00100 Nairobi

CORPORATE INFORMATION (Continued)

PRINCIPAL BANKERS

Citibank N.A.
Citibank House, Upper Hill Road
P.O. Box 30711 - 00100
Nairobi

Standard Chartered Bank Limited
48 Chiromo, Level 5
Westlands Road
P.O. Box 30003 - 00100
Nairobi

NCBA Bank Kenya Plc
NCBA Centre
Mara Road, Upper-Hill
P.O Box 44599 - 00100
Nairobi

KCB Bank Kenya Limited
Kencom House, Moi Avenue
P.O Box 48400 - 00100
Nairobi

Equity Bank Limited
7th Floor, Equity Centre
Upper Hill
P.O. Box 75104 - 00200
Nairobi

PRINCIPAL LEGAL ADVISORS

Coulson Harney LLP
5th Floor, West Wing, ICEA Lion Centre
Riverside Park, Chiromo Road, Nairobi
P.O. Box 10643-00100, Nairobi, Kenya
www.bowmanslaw.com

Tripleoklaw Advocates
5th Floor, Block C, ACK Garden House
1st Ngong' Avenue, off Bishops Road
P.O. Box 43170 - 00100
Nairobi



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BOARD OF DIRECTORS

The current board composition with brief resumes is as set out below:

Mr. Michael Joseph (77) **Chairman and Independent Non-Executive Director**



Michael Joseph was appointed Chairman of Kenya Airways Plc in October 2016. He is also a Non-Executive Director on the Boards of Vodacom Group South Africa, MFS Africa and Safaricom Plc. Michael is also an advisor to the Vodafone Group mostly related to mobile financial services and Safaricom Plc. He was until October 2017 employed by Vodafone Group Services Limited as the Director of Mobile Money and was responsible for leading the strategic growth and development of successful M-Pesa proposition across the Vodafone footprint.

Michael is the former Chairman and founding CEO of Safaricom Plc, where he steered the company from a subscriber base of less than 18,000 in 2000 to over 17 million subscribers making it the most successful company in East Africa. This phenomenal growth straddling nearly a decade was notable for the launch of many innovative products and services. He was behind the launch of the highly successful and phenomenal growth of M-Pesa and its related services.

Michael is the recipient of many awards, including CEO of the Year awarded by the Kenya Institute of Management and the Elder of the Order of the Burning Spear (award given by the President of Kenya to those who have made a positive impact in Kenya). He has extensive international experience in company start-ups, the implementation and operation of large wireless and wire-line networks. He is also a keen conservationist and serves as Chairman of Lewa Wildlife Conservancy, a leading conservancy in Northern Kenya.

Allan Kilavuka (50) **Group Managing Director & Chief Executive Officer**



Allan has been at the helm of Kenya Airways since April 2020 as the airline's Group Managing Director and Chief Executive Officer. He was previously the Chief Executive Officer and Managing Director of Jambojet Limited, a fully owned subsidiary of Kenya Airways Plc.

Allan took over this role right at the beginning of a very difficult time for Kenya Airways and the aviation industry in general. He has managed to navigate the airline through these turbulent times and keep the planes flying through a string of measures and initiatives. With over 23 years' experience in leadership and management, and extensive knowledge and experience in the Africa business environment, Allan has proven success in new organization set ups, change management, financial planning, integrations, process improvement and company compliance and responsible strategic leadership. He was also integral to the turnaround of two GE Africa businesses: GE Power Services Africa and GE Industrial Solutions, both based in South Africa.

Allan started his career at Deloitte East Africa in Nairobi, where he specialized in Audit, Accounting, Outsourcing and Custodianship. He later joined GE as the Africa share service leader and held various senior leadership roles in GE businesses and in GE Corporate both in Kenya and South Africa before joining Jambojet Limited.

Allan has a Bachelor of Commerce Degree from the University of Nairobi and holds a Postgraduate Certificate in Psychology from the University of Liverpool. He has trained at GE's world class Crotonville Leadership Institute in New York, USA in Executive Leadership, Advanced Management and Financial Planning. He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

BOARD OF DIRECTORS (Continued)

Caroline Armstrong (48)

Independent Non-Executive Director

Caroline is the Chair of the Human Resources Committee. She has over 25 years' career experience, the majority having been in financial services in Kenya, the African continent and internationally. She started her career as a management trainee and rose through the ranks to become a key C-suite executive, before choosing to leave the industry to take on a new career path.

She is now in consulting focusing on strategy formulation, implementation and change management, customizing solutions that enable the achievement of the set goals. In addition to serving on the board of Kenya Airways, where she is honoured to chair the Human Resources Committee, she serves on the board of the National Housing Corporation (NHC) a key player in the delivery of the country's Affordable Housing Programme. At NHC she chairs the board's Finance, Strategy & Business Development Committee and is a member of the Technical Committee. She serves on the board of JamboJet as the KQ representative, and is the first female Chairperson of AIB Axys Africa Limited. Her broad and successful career and her numerous board roles, translate into a unique ability to not only provide strategic guidance and tactical support where required. Her in depth knowledge of KQ, its context and its recent history have proved to be invaluable and continue to do so.



Major General (Rtd) Michael Gichangi (64)

Independent Non-Executive Director

Major General Gichangi is the Chair of the Strategy and Business Development Committee. He joined the Kenya Air Force as a pilot in 1975 and rose through the ranks serving in all its flying operations hierarchy command positions. He retired from the military in 2006 as the Chief of Strategic Plans and Policy at the Defence Headquarters, on being appointed the Director General of The National Intelligence Service. He served in this position until 2014.

He holds a Master's Degree in Aviation Management from Griffith University in Australia and is a graduate of the National Defence College. He has a Commercial Pilots License from the Federal Aviation Authority of The United States of America and one from the Kenya Civil Aviation Authority, and is a qualified flying instructor. In recognition of his service to the nation, he has been honoured as an Elder of the Order of the Golden Heart (EGH) and a Chief of the Order of the Burning Spear (CBS). He was awarded the Distinguished Conduct Order (DCO) medal for an act of Valour while flying in the Kenya Air Force.



BOARD OF DIRECTORS (Continued)

Philip Wambugu (63) Non-Executive Director



Philip joined the Kenya Airways Board in June 2021. Philip has over 36 years working experience most of which have been in the infrastructure and services related fields. He has previously worked with Kenya Airways Plc, Air East Africa Ltd (consultant), APEC Engineering (consultant), the Center for Transportation and Environmental Studies (Nairobi) as a Director and recently retired from the East African Community Secretariat after 19 years of distinguished service. He is a Director at KQ Lenders Ltd since 2017 and was a Senior Consultant for Africa for Google Loon responsible for overflight rights across Africa between 2018 to March 2021.

He has extensive knowledge on the regional and continental dynamics of infrastructure planning and development and understands fully the issues affecting airlines, including the liberalization on air transport and aviation operations.

Philip holds a Bachelor of Arts Degree specializing in Economics from the University of Nairobi and a Master of Science in Transportation from the Massachusetts Institute of Technology (MIT) in Cambridge USA.

Dr. Haron Sirima, OGW (60) Non-Executive Director (Representative of the C.S. National Treasury)



Dr. Sirima is currently the Director-General, Public Debt Management Office at the National Treasury and Chairman, Kenya Mortgages Refinance Company Ltd, and represents the Cabinet Secretary to the National Treasury on the Board. He is a career central banker, having joined the Central Bank of Kenya in 1986 as a graduate trainee and rose through the ranks to the position of Deputy Governor and Vice Chairman, Monetary Policy Committee. He has previously served as Deputy Director Management Department, Ministry of Finance and also Adjunct Professor at Jomo Kenyatta University of Agriculture and Technology.

Dr Sirima has been involved in the design and implementation of public debt management reforms including the preparation of the Kenya's Debt & Borrowing and legal framework for public finance management at the National Treasury. He holds B.A Economics and B.Phil. Economics degrees from University of Nairobi, a Master's degree in Economics from University of Manchester, UK and a PhD in Entrepreneurship from Kenyatta University.

BOARD OF DIRECTORS (Continued)

John Wilson (62) **Non-Executive Director**

John joined the Company's Board in June 2021. Prior to joining KQ board he was the former Group Chief Risk & Compliance Officer of Equity Group Holdings Limited, where he retired in March 2021. His vast experience in employment life spans over 40 years having worked in the following organisations in various capacities :- UNICEF, the Royal Swedish Army, McKinsey & Co., the World Bank Group (IBRD & IFC), Swedbank, Kaupthing Bank (Stockholm), and lastly at Equity Group Holdings, where he also was at some point the Group COO.

He has extensive knowledge on the transport, heavy manufacturing industry, large scale privatizations and post privatization advisory, project and structured finance, global trade, global banking and risk specialization and compliance. He has immense experience in corporate strategy, restructuring, risk and other operational issues affecting corporations.

John holds a Master of Arts degree in Economics with dual concentration in Political Science from Uppsala University, Sweden and Masters in Public Affairs specializing in International Relations from Princeton University, New Jersey, United States.



Mr. Mohamed Daghar (37) **Non-Executive Director** **(Principal Secretary State Department for Transport)**

Mr. Mohamed Daghar was appointed the Principal Secretary, State Department for Transport in the Ministry of Roads and Transport on Wednesday, 2nd November 2022. He is responsible for the Transport Policy formulation and execution, development of regulatory framework for transport sector, oversee implementation of various transport programmes and projects designed to realise efficient, reliable and seamless transport connectivity envisioned in vision 2030 under Road, Rail, Air and Maritime modes of Transport.

In addition, as Principal Secretary in charge of State Department for Transport, he is responsible for providing guidance, direction and oversight on service delivery by various State Corporations and Government Agencies. As the Principal Secretary in charge of Transport, he is a member of the Executive Committee of the Northern Corridor Transit and Transport Coordination Authority (NCTTCA) and therefore he is responsible for all matters relating to NCTTCA.

Mr. Mohamed is a holder of BA International Relations from United States International University, Kenya, Masters in Peace, Conflict and Development studies from Universitat Jaume I, Spain. He has wealth of experience in safety and security matters. During his tenure, he is expected to steer the State Department to successfully implement mass transit system in Nairobi, develop and improve airports and airstrips, seaport and inland water ports, Nairobi Railway City, the Standard Gauge Railway and multimodal transport corridors in addition to revitalisation of road transport services and safety among other projects of strategic national importance.



BOARD OF DIRECTORS (Continued)

James David Kabeberi (61) Independent Non-Executive Director



Mr. Kabeberi has been serving as an ex-officio member of the Kenya Airways Plc Audit and Risk Committee. He brings to Kenya Airways Plc vast experience garnered over 40 years in accounting, finance and business strategy in several industries spanning across both large, complex companies and emerging startups, and in the public and private sectors. He is a qualified professional accountant and a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK) and is currently enrolled for an MSc in Finance and Accounting.

Mr. Kabeberi recently retired from PKF where he was a Global Partner of PKF KLSA, and the head of the firm's business advisory services as Managing Director of PKF Consulting Ltd. He currently serves on the boards of First Assurance Company Ltd and Proctor and Allan Ltd, amongst others.

Eng. Michael Muchiri (58) Alternate Director to the PS. State Department for Transport

Eng. Michael Muchiri was appointed the Alternate Director to the PS. State Department for Transport in March 2023.

He is the Senior Principal Superintending Engineer (SPSE) at the State Department for Transport - Ministry of Roads and Transport. He has worked in the Civil Service, Kenya Railways Corporation (KRC), Kenya Airports Authority (KAA), Kenya Civil Aviation Authority (KCAA), Kenyatta National Hospital (KNH) as the Hospital Engineer (Facilities Manager); He has also been the Alternate Director to the Principal Secretary State Department for Transport at Kenya National Highways Authority (KeNHA), National Transport & Safety Authority (NTSA), Scrap Metal Council (SMC), Kenya Trade Network Agency (KenTrade), and at Kenya Airways (KQ). His private sector experience covers a stint at Steel Structures Limited (SSL), and S.R. Manga and Associates. He has also worked as the Head of the Maritime Technology Cooperation Centre (MTCC-Africa) in Jomo Kenyatta University of Agriculture and Technology (JKUAT).

Mr. Muchiri who holds a BSc. Degree in Civil Engineering, is a registered Engineer with the Engineers Board of Kenya (EBK), and a Corporate Member of the Institution of Engineers of Kenya (MIEK).

BOARD OF DIRECTORS (Continued)

Mr. Christopher James Buckley (64) Independent Non-Executive Director

Mr. Buckley brings to Kenya Airways Plc four decades of wide-ranging experience in the commercial aviation business. His career has included time working for an airline in Martinique, French West Indies, commercial and management positions with de Havilland Canada in Toronto, and senior management positions with Airbus in Toulouse, where he retired in 2020, as the Executive Vice President, responsible for all of Airbus's business, commercial strategy and customers relations in Europe, Asia and the Pacific. He has built top-level relationships across the industry and been intimately involved in the fleet and network planning process with many major airlines worldwide.

Mr. Buckley has served on the boards of several companies over the years, including connectivity specialist OnAir, majority owned by SITA; Nordic Aviation Capital, the largest lessor of regional aircraft worldwide; EFW, majority owned by ST Aerospace in Singapore; and Emerald Airlines, an Aer Lingus franchise carrier based in Dublin. He is a founding shareholder at Emerald Airlines. In 2018, Mr. Buckley was honoured to be awarded the 'Chevalier de l'Ordre National de Mérite' by the French government, for services to France.

Mr. Buckley holds a Bachelor of Science degree in Business Management and French from Aston University in Birmingham, England.



Habil Waswani (46) Company Secretary

Habil joined Kenya Airways Plc in March 2021. He has over 20 years Corporate and Commercial law experience having worked in similar senior levels at National Bank of Kenya Limited, Kenya Reinsurance Corporation Limited, and Diamond Trust Bank Kenya Limited (DTB), all publicly listed institutions.

Habil holds a Bachelor of Laws (LL.B) Degree from The University of Nairobi, a Diploma in law from the Kenya School of Law. He is a graduate of the Global Executive Master of Business Administration (GEMBA) Degree programme from the United States International University in collaboration with the Columbia Business School, Columbia University, New York. He has attended various professional management and corporate governance capacity building courses.

Habil is an Advocate of the High Court of Kenya and a Certified Public Secretary. He is a member of good standing with the Law Society of Kenya (LSK), the Institute of Certified Secretaries of Kenya (ICSK) and the Institute of Directors of Kenya (IOD-K).





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MANAGEMENT TEAM & PROFILES

Allan Kilavuka Group Managing Director & CEO



Allan has been at the helm of Kenya Airways since April 2020 as the airline's Group Managing Director and Chief Executive Officer. He replaced Sebastian Mikosz whose term ended on 31 December 2019. He was previously the Chief Executive Officer and Managing Director of Jambojet Limited, a fully owned subsidiary of Kenya Airways Plc.

Allan took over this role right at the beginning of a very difficult time for Kenya Airways and the aviation industry in general. He has managed to navigate the airline through these turbulent times and keep the planes flying through a string of measures and initiatives.

With over 24 years experience in leadership and management, and extensive knowledge and experience in the Africa business environment, Allan has proven success in new organization set ups, change management, financial planning, integrations, process improvement and company compliance and responsible strategic leadership. He was also integral to the turnaround of two GE Africa businesses: GE Power Services Africa and GE Industrial Solutions, both based in South Africa

Allan started his career at Deloitte East Africa in Nairobi, where he specialized in Audit, Accounting, Outsourcing and Custodianship. He later joined GE as the Africa share service leader and held various senior leadership roles in GE businesses and in GE Corporate both in Kenya and South Africa before joining Jambojet Limited.

Allan has a Bachelor of Commerce Degree from the University of Nairobi and holds a Postgraduate Certificate in Psychology from the University of Liverpool. He has trained at GE's world class Crotonville Leadership Institute in New York, USA in Executive Leadership, Advanced Management and Financial Planning. He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

Hellen Mathuka Chief Financial Officer



Hellen holds a Bachelor of Commerce degree from Kenyatta University and an MBA (Strategic Management) from United States International University. Hellen has wide experience in Finance and Audit having previously worked as the Head of Corporate Finance as well as Head of Internal Audit at Kenya Airways.

As part of succession planning, Hellen also led the Pricing and Revenue Management function for a period of 2 years. Prior to joining Kenya Airways, she worked at East African Breweries Ltd, Ernst & Young and Family Bank.

Hellen is a Certified Public Accountant of Kenya (CPA(K)), Certified Internal Auditor, Certified Information Systems Auditor and holds certification in Control self-assessment. She has a diploma in Airline Management from IATA, certificate in Executive business development from the Gordon Institute of Business Management and is a certified coach and mentor.

MANAGEMENT TEAM & PROFILES

Mr. Habil A. Waswani Company Secretary & Director Legal, Risk & Compliance

Habil joined Kenya Airways Plc in March 2021. He has over 20 years Corporate and Commercial law experience having worked in similar senior levels at National Bank of Kenya Limited, Kenya Reinsurance Corporation Limited, and Diamond Trust Bank Kenya Limited (DTB), all publicly listed institutions.

Habil holds a Bachelor of Laws (LL.B) Degree from The University of Nairobi, a Diploma in law from the Kenya School of Law. He is a graduate of the Global Executive Master of Business Administration (GEMBA) Degree programme from the United States International University in collaboration with the Columbia Business School, Columbia University, New York. He has attended various professional management and corporate governance capacity building courses.

Habil is an Advocate of the High Court of Kenya and a Certified Public Secretary. He is a member of good standing with the Law Society of Kenya (LSK), the Institute of Certified Secretaries of Kenya (ICSK) and the Institute of Directors (IOD).



Tom Shivo Chief People Officer

Tom is a seasoned HR practitioner with twenty-seven (27) years working experience. He joined KQ from HF Group (Housing Finance), where he was the Group HR Director for 4 years. Prior to this, he worked at Safaricom as the Head of Business Partners (Commercial Divisions); Airtel Africa as the HR Director (Talent Management) and HR Director at Airtel Nigeria. At Coca-Cola Beverage Africa (Nairobi Bottlers), he was the Country HR Manager for the Kenya business, and before that he was the HR Manager at The Nairobi Hospital.

Tom holds a Master of Business Administration (MBA) degree in Human Resources from University of Nairobi, a Bachelor of Education degree from Kenyatta University and a Higher National Diploma in Human Resources. He also holds an Advanced Leadership certificate from GIBBS Institute (Pretoria University) and Christ Church (Oxford University); and a Senior Management Leadership Certificate from Strathmore Business School.



MANAGEMENT TEAM & PROFILES (Continued)

Julius Thairu

Chief Commercial & Customer Officer



Julius joined Kenya Airways Plc in 2001 and was appointed as substantive Chief Commercial & Customer Officer in March 2022. He is responsible for strategy development and execution of revenue and customer initiatives. He has extensive international commercial experience in delivering growth and improving performance in the aviation industry having worked in various roles across three continents.

Prior to his current role, he was Director for Sales responsible for development and implementation of the global Commercial sales strategy. He was also Head of Pricing, Revenue Management and Distribution from June 2009 to May 2014.

He holds a Bachelor of Arts in Building Economics from the University of Nairobi and has attended various management and leadership courses, including the Executive Development Programme with Gordon Business School, South Africa.

Fredrick Kitunga

Chief Information & Data Officer



Fred is an Electrical Engineer and holds various IT professional certifications among them; Risk & Information Systems Control (CRISK), Information Systems Auditor (CISA), and Information Technology Infrastructure Library (ITIL).

He has more than 21 years of experience in management of ICT enterprise systems, covering Hardware Systems Infrastructure, High-end Data Center systems, Networks and Communication Systems, Database Systems and Digital Payment Channels (E-payment Systems).

Prior to joining Kenya Airways, he worked for KCB Bank Group and Equity Bank Group Limited at senior leadership levels. He has a solid track record in aligning the technology agenda to the corporate strategy to enable the business to achieve strategic goals. He has proven capabilities of helping to maximize returns from technology investments to improve operational effectiveness.

MANAGEMENT TEAM & PROFILES (Continued)

Gerold Tumulka **Chief Strategy & Innovations Officer**

Gerold is a seasoned Aviation expert with over thirty-four (34) years' working experience. He joined KQ from Swissport Middle East, where he was the Chief Executive Officer for five (5) years.

Prior to this, he was the Chief Operations Officer at National Aviation Services (NAS) Kuwait. He has also worked at Flughafen Friedrichshafen Airport as Chief Executive Officer, Germany and Air Seychelles as Director Ground Operations and Operations Control, Seychelles. He also previously worked at Air Madagascar as Advisor and Chief Operating Officer, Madagascar; Proveo AG as Director, Sales, Germany; Menajet International Airlines SAL as Director Ground Operations Lebanon and Director Special Projects, UAE, Lufthansa Consulting as Senior Director, Business Development Middle East, Germany, Director Airline Operations and Fraport AG. In his early career days, Gerold rose to the rank of Major in the German Federal Armed Forces.

Gerold holds a Bachelor of Arts degree in Business Administration (Economics & English) from Goethe University in Germany.



Captain George Kamal **Chief Operating Officer**

Captain Kamal has an MSc in Aviation Management Transformation in New Digital Decade from London Metropolitan combined with 27 years' experience in aviation as a Pilot, Senior Manager, Head, Post Holder, and Executive Officer.

His aviation career began with Egypt Air as a First Officer and Captain before moving to Etihad Airways as a Captain and Type Rating Instructor / Examiner (TRI/TRE). More recently, he was the Operations Director of Air Arabia and the Chief Operations Officer in Iraqi Airways. During his career, Captain Kamal has held several managerial and executive positions, from Post Holder Quality and Safety to COO.

He has contributed to the success of these airlines who follow various business models, including Legacy, Charter, Low Cost and Ultra-Low Cost. He is also an experienced Aviation consultant. Captain Kamal has a wealth of experience and proven ability in realising unprecedented targets, reducing costs, and transforming airline operations to propel organisational success.





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MICHAEL JOSEPH
Chairman

CHAIRMAN'S STATEMENT

Global Economic Overview

For the aviation industry just like many industries, 2022 was the year that the fruits of resilience post pandemic started to bud. The year commenced with optimistic prospects of accelerated growth following the 6% global GDP growth experienced in 2021. Most airlines had found steady footing after COVID and managed to take advantage of the pent up demand for travel. There were, however, a couple of headwinds which threatened to slow down recovery. Key amongst them were the Russia -Ukraine conflict, increased fuel cost, escalating food prices and China's travel restrictions. These headwinds played a part in dampening the outlook for 2022 which had an estimated 3.2% GDP growth according to the International Monetary Fund.



The global travel economy however, steadily continued its recovery. The accelerated recovery was buoyed by several factors key amongst them the gradual opening of the Asian market (China to be specific) post COVID-19 and related increased investor confidence. A 64.4% Revenue per Passenger (RPK) growth was reported in 2022 compared to 2021 by International Air Transport Association (IATA). It is worth noting that Africa's Year on Year RPK growth in 2022 was the third highest at 85% behind Europe and the Middle East at 100% and 14% respectively. This is a clear indication that global aviation is headed in the right direction albeit suffering the impact of global shocks.

Africa's aviation scene in 2022

While the lingering effects of the pandemic could still be felt, the aviation industry projected a strong recovery. This was seen in the return of various long-haul carriers to several African destinations, Examples include Qantas and United Airlines in South Africa, Iberia in Morocco and Emirates to Tanzania and Zimbabwe. According to IATA, Africa accounts for just 2.1% of air global passengers which means that there is a lot of potential to tap into for all players in the aviation industry. Unfortunately, that year also saw the disappearance of Comair/Kulula and Tchadair Airlines.

Kenya Airways Financial Performance

Our turnaround progress in 2022 remained on course. Our restructuring and transformation efforts led to a 66% revenue increase to stand at KES 117 billion. The growth in revenue was driven by a significant increase in passenger numbers which grew by 68% to 3.7million passengers, and over 65,000 tonnes, a 3.5% increase in cargo tonnage. The deployed capacity in Available Seat Kilometers (ASKs) increased by 75%, closing the year 2022 at 10.3 billion compared to 5.9 billion reported for the same period in 2021. As a result, passenger load factors for 2022 was 13.6 percentage points above prior year.

The Group saw an increase of 59% in total operating costs for the year with direct operating costs increasing by 94%. In 2022, despite the opening up of markets post-COVID, the aviation operating environment was affected by fuel costs that increased by 160% year on year, deterioration of the dollar and its effect on direct operating costs and global geo political issues. The tight forex demand had a significant impact on Kenya Airways' financial transactions which are mainly carried out in the major foreign currencies specifically the devaluation of the Kenya Shilling.



Overall, Kenya Airways Management and staff made tremendous efforts in 2022 to improve our service levels, improve revenues and focus on cost reductions by undertaking various key initiatives which are evident in the results posted.

KQ's Strategic alignment with the Government of Kenya agenda.

The Government of Kenya has reiterated its intention to have Kenya Airways play its strategic economic role and reclaim its glory. The agreed upon strategic objectives included having KQ elevate its status to be the major cargo player & an agri-produce supporter, adopting a Winning in Africa mission targeting operations to all major African cities by 2027 using the Pan African Airline Group approach. Tourism promotion as well as pursuing a diversified business portfolio was also identified.

CHAIRMAN'S STATEMENT (Continued)



The Pan African Airline Group initiative is still on-track and we have made progress with South African Airways in identifying and deploying new initiative where we can work together including codeshares, freight handling and customer focused areas.

We are grateful for the strong support that the government accorded us in 2022 which helped us finance the turnaround initiatives. This amount totaled to Ksh.16.27 billion in 2022. It is clear that the airline cannot be state funded in perpetuity and for this reason KQ's short term intent is to break even by 2024, which we are on course to achieve, while delivering excellent customer experience and being the employer of choice.

Governance

The Board remained united, committed and focused on its strategic oversight mandate to support Management in steering the Company's operations in the right direction. In this regard, I wish to welcome Mr. Christopher James Buckley, who joined the Board in March 2023, bringing with him immense international commercial aviation expertise and experience, as well as global experience in airline operations, which were a critical competence gap identified on the Board. I also take this opportunity welcome Mr. Mohamed Daghar, the Principal Secretary, State Department for Transport, who joined the Board in 2022 and Eng. Michael Muchiri who was recently appointed as his Alternate to the Principal secretary, as well as Mr. David Kabeberi, who joined as an ex-officio member to the Audit & Risk Committee, bringing in finance and accounting expertise in line with the Code of Corporate Governance under the Capital Markets Act.

Lastly, on behalf of the Board, I wish to sincerely thank Ms. Caroline Armstrong, who exits the Board after a 9-year stint served with utmost commitment and diligence. She was the Chair of the Human Resources Committee and an active member of the Board with invaluable contributions throughout her tenure.



Looking Ahead

2022 marked the pivot point in the restructuring journey. Major restructuring milestones like the aircraft lease restructuring and structural cost reduction initiatives were implemented. These are issues that have plagued previous restructuring efforts. We are hence poised for success.



On behalf of the Board of Directors, I take this opportunity to express my sincere appreciation to our customers for their continued faith in our product and service. We promise to live up to your expectations. The Government of Kenya's support is recognized and appreciated. I also thank the management, staff, suppliers, and other stakeholders for their continued support.

We continue to focus on the bright future for indeed, the green growth shots are within grasp.

Mr. Michael Joseph
Chairman

TAARIFA YA MWENYE KITI

Muhtasari wa Uchumi Kimataifa

Kwa tasnia ya usafiri wa anga kama vile tasnia nyingi, 2022 ndio mwaka ambao matunda ya uthabiti wa kipindi cha baada ya ugonjwa tandavu wa UVIKO-19 ulanza kuchipika. Mwaka ulanza kwa matumaini ya ukuaji wa kasi kufuatia Ukuaji wa Pato la Ndani (GDP) wa 6% uliopatikana mwaka wa 2021. Mashirika mengi ya ndege yalikuwa yameanza kuimarka baada ya UVIKO-19 na yalifaulu kuchukua nafasi ya kujinuifaisha kutokana na mahitaji ya usafiri yaliyokuwa yamepungua. Hata hivyo, kulikuwepo na wimbi kali lilitotishia kupunguza kasi ya kurejelea hali ya kawaida na kuu katyao ulikuwa mzozo wa Urusi na Ukraine, kuongezeka kwa gharama ya mafuta, kupanda kwa bei ya vyakula na vizuizi vya usafiri vilivywewekwa na Uchina. Mambo haya kwa pamoja yalichangia katika kufifisha mtazamo wa mwaka wa 2022 ambao ulikuwa na makadirio ya Ukuaji wa Pato la Ndani wa asilimia 3.2 kulingana na Shirika la Fedha Duniani.



Hata hivyo, uchumi wa usafiri wa kimataifa uliendelea kuimarka kwa kasi. Ufufuaji ulioharakishwa ulichangiwa na mambo kadhaa muhimu ya kimsingi yakiwa kufunguliwa polepole kwa soko la Asia (hasa Uchina) baada ya UVIKO-19 na kuongezeka kwa imani ya wawekezaji. Ukuaji wa 6.4% ya Mapato jumla kulingana na Abiria (RPK) uliripotiwa katika mwaka wa 2022 ikilinganishwa na 2021 na Chama cha Kimataifa cha Usafiri wa Anga (IATA). Inafaa kukumbukwa kwamba Mwaka wa Afrika kuhusu ukuaji wa mapato jumla kulingana na abiria katika mwaka wa 2022 ulikuwa wa tatu juu zaidi ukiwa 85% nyuma ya Uropa na Mashariki ya Katiliyokuwa katika 100% na 14% mtawalia. Hiki ni kiashiria cha kutosha kwamba usafiri wa anga duniani unaelekea kunakofaa ijapokuwa unakabiliwa na athari za majanga ya kimataifa.

Hali ya usafiri wa anga katika mwaka wa 2022

Huku athari za ugonjwa tandavu wa UVIKO-19 zikiendelea kuhisiwa, tasnia ya usafiri wa anga ilionyesha dalili za kurejea kwa nguvu. Hili lilionekana katika kurejeshwa kwa ndege za masafa marefu katika vituo kadhaa barani Afrika, mifano ikiwa Qantas na United Airlines nchini Afrika Kusini, Iberia nchini Morocco na Emirates iliyo safiri hadi Dar es Salaam na Harare. Kulingana na IATA, Afrika inachangia 2.1% ya abiria wanaosafiri kwa ndege. Hii ina maana kwamba kuna uwezekano mkubwa kwa wahusika wote katika sekta ya

usafiri wa anga kuwekeza zaidi. Kwa bahati mbaya, mwaka huo pia ulishuhudia kutoweka kwa Mashirika ya Ndege ya Comair/Kulula na tchadia.

Utendaji wa Kifedha wa Shirika la Ndege la Kenya

Maendeleo yetu ya kuleta ufanisi katika mwaka wa 2022 yaliendelea sawa. Juhudi zetu za urekebishaji na mabadiliko yalisababisha ongezeko la mapato la 66% hadi kufikia Shilingi bilioni 117 za Kenya. Ukuaji wa mapato ulichangiwa na ongezeko kubwa la idadi ya abiria ambalo lilikua kwa 68% hadi abiria milioni 3.7, na zaidi ya tani 65,000, ongezeko la 3.5% la tani za mizigo. Uwezo uliotumiwa wa kubeba abiria (ASK) uliongezeka kwa 75%, na kufunga mwaka wa 2022 kukiwa na bilioni 10.3 ikilinganishwa na bilioni 5-9 zilizoripotiwa kwa kipindi kama hicho katika mwaka wa 2021. Kwa sababu hiyo, ubebaji wa abiria katika mwaka wa 2022 ulikuwa pointi asilimia 13.6 juu kuliko mwaka uliopita.

Kikundi kilipata ongezeko la 59% katika jumla ya gharaza za uendeshaji kwa mwaka huo huku gharama za uendeshaji wa moja kwa moja zikiongezeka kwa 94%. Katika mwaka wa 2022, licha ya kufunguliwa kwa masoko baada ya UVIKO-19, mazingira ya uendeshaji wa safari za anga yaliathiriwa na bei ya mafuta iliyoongezeka kwa 160% mwaka hadi mwaka, kuporomoka kwa thamani ya dola na athari yake kwa gharama za moja kwa moja za uendeshaji na masuala ya siasa za kieneo duniani. Mahitaji makubwa ya fedha za kigeni yalikuwa na athari kubwa kwa shughuli za kifedha za Shirika lila Ndege la Kenya ambazo mara nyingi huedeshwa katika sarafu kuu za kigeni hasa kushuka kwa thamani ya Shilingi ya Kenya.



Kwa jumla, Uongozi wa Shirika la Ndege la Kenya na wafanyikazi wake walifanya juhudini kubwa katika mwana wa 2022 ili kuboresha viwango vya huduma zetu, kuboresha mapato na kuzingatia upunguzaji wa gharama kwa kutekeleza mipango mbalimbali muhimu ambayo inaonekana katika matokeo yaliyochapishwa.

Upatanishi wa Kimkakati wa KQ na Ajenda ya Serikali ya Kenya

Serikali ya Kenya imesisitiza nia yake ya kutaka Shirika la Ndege la Kenya kutekeleza jukumu lake la kimkakati la kiuchumi na kurejesha fahari yake. Malengo ya kimkakati ya kujilumuisha KQ kuinua hadhi yake na kuwa

TAARIFA YA MWENYE KITI (Inaendelea)

msafirishaji mkuu wa shehena na kusaidia upande wa mazao ya kilimo, na kuwa mshindi katika misheni ya Afrika inayolenga shughuli katika miji yote mikuu ya Afrika kufikia 2027 kwa kutumia mbinu ya Kundi la Shirika la Ndege la Afrika. Mbinu ya kutangaza utalii pamoja na kutafuta mkabala mpana wa kibashara pia ni mambo yaliyopendekezwa.

Mpango wa Kundi la Shirika la Ndege la Afrika bado unaendelea kutekelezwa na tumepiga hatua na Shirika la Ndege la Afrika Kusini kwa kutambua na kutumia mpango mpya ambapo tunaweza kufanya kazi pamoja ikijumuisha kila mmoja kuuzia abiria tiketi za mwenzake, upakiaji na upakuaji wa mizigo na maeneo yanayolena wateja.



Tunashukuru kwa msaada mkubwa ambao serikali ilitupa katika mwaka wa 2022 ambao ultiusaidia kufadhili mpango wa kulibadilisha shirika lilete faida. Kiasi hili kilikuwa Shilingi bilioni 16.27 za Kenya katika mwaka wa 2022. Ni wazi kwamba shirika hili la ndege haliwezi kufadhiliwa na serikali milele na kwa sababu hii nia ya muda mfupi ya KQ ni kujibadilisha na kuanza kupata faida kufikia mwaka 2024, jambo ambalo tuko mbioni kuafikia, huku tukitoa hudum nzuri kwa wateja wetu na kuwa mwajiri anayependeleta.

Utawala

Bodi ilisalia kuwa na umaja, kujitolea na kuangazia jukumu lake la uanganizi wa kimkakati ili kusaidia Uongozi katika kuongoza shughuli za Kampuni katika mwelekeo sahihi. Kuhusiana na hili, ningependa kumkaribisha Bw. Christopher James Buckley, ambaye alijiunga na Bodi mnamo Machi 2023, akiletaa utaalamu na uzoefu mkubwa wa kimataifa wa usafiri wa anga wa kibashara, pamoja na uzoefu wa kimataifa katika uendeshaji wa mashirika ya ndege, ambayo yalikuwa pengo kubwa la umahiri lililotambuliwa na Bodi. Pia ninachukua fursa hii kumkaribisha Bw. Mohamed Daghar, Katibu Mkuu, Wizara ya Uchukuzi, aliyejiunga na Bodi kватика mwaka wa 2022 na Mhandisi Michael Muchiri ambaye hivi majuzi aliteuliwa kama Mbadala wa Katibu Mkuu, pamoja na Bw. David Kabeberi, ambaye alijiunga kama mwanachama kwa sababu ya cheo chake kuhudumu katika Kamati ya Ukarugi na Hatari, akiletaa utaalamu wa kifedha na kiuhasibu kwa mujibu wa Kanuni ya Utawala wa Mashirika iliyo chini ya Sheria ya Masoko ya Mtaji.

Mwisho, kwa niaba ya Bodi, ningependa kumshukuru kwa dhati Bi, Caroline Armstrong, ambaye anaondoka kwenye Bodi baada ya kipindi cha miaka 9 alichohudumu kwa

kujitolea na bidii kubwa. Alikuwa Mwenyekiti wa Kamati ya Rasilimali Watu na mjambe hai wa Bodi akiwa na michango yemye thamani katika kipindi chote alichohudumu.



Kuangazia Mbele

Mwaka wa 2022 ulikuwa sehemu muhimu ya safari ya kuleta mabadiliko. Hatua kuu za urekebishaji kama vile urekebishaji wa ukodishaji wa ndege na mipango ya kupunguza gharama zote za kuendesha shirika ilitekelezwa. Haya ni masuala ambayo yametatiza juhudzi za awali za urekebishaji. Kwa hivyo tunatarajia mafanikio.



Kwa niaba ya Bodi ya Wakurugenzi, ninachukua fursa hii kutoa shukrani zangu za dhati kwa wateja wetu kwa kuendelea kuwa na imani na bidhaa na huduma setu. Tunaahidi kutenda kulingana matarajio yako. Msaada wa Serikali ya Kenya unatambuliwa na kuthaminiwa. Pia ninawashukuru viongozi, wafanyakazi, wagavi, na washikadau wengine kwa kuendelea kuniunga mkono.

Tunaendelea kuangazia siku zizajo zenye mafanikio makubwa kwa kuwa, tunaweza kuufikia uoto wa kijani unaochipua.

Mr. Michael Joseph
Mwenye Kiti



Drone Technology in Agriculture.



Fahari Aviation



*Demonstrating
the future of
sustainable aviation.*



The Sustainable Flight Challenge



ALLAN KILAVUKA
Group Managing Director and CEO

CHEF EXECUTIVE OFFICER'S STATEMENT

It is often said that '*when a defining moment comes along, you can do one of two things; define the moment or let the moment define you.*' 2022 marked a defining moment for many airlines across the world as they grappled with how to repivot their business to cope with the effects that the pandemic had left. Airlines adopted an agile strategy to align to the new market environment.

According to the 2022 World Travel & Tourism Council report, demand for international travel returned strongly as governments worldwide loosened COVID-related travel restrictions. This increased the number of international overnight arrivals estimated to have doubled, with a 109% annual growth compared to 2021, reaching 62% of 2019 volumes.

Despite economic and geopolitical challenges particularly fuel price volatility and Ukraine War which impacted the entire aviation industry, Kenya Airways remained resilient. We took advantage of the upsurge in travel demand by increasing frequencies and improving our service offering. As a result of these efforts, Kenya Airways won the prestigious World Travel Awards categories of Africa's Leading Airline 2022, Africa's Leading Airline Brand 2022, Africa's Leading Airline - Business Class 2022, and Africa's Leading Inflight Magazine 2022 (Msafiri).



REVENUE PERFORMANCE

Passenger Revenue

In the 12 months ending December 2022, passenger revenue stood at Kshs 88.8billion, an improvement from Kshs.46.5 billion in 2021. This represents a 91% increase

Cargo Revenue

In the fiscal year 2022, freight & mail revenue generated a total of KES 13.9 billion. This revenue result represented a 3-percentage improvement year-on-year. In addition, October 2022 marked the end of freighter (passenger freighter) operations, with the two repurposed Dreamliners returning to passenger operations in August and October. As a result, cargo revenue has grown by over 30 per cent compared to the pre-crisis level. Furthermore, on the back of recent pharma infrastructure development within the our facility, the warehouse embarked on the IATA Center of Excellence for Independent Validators (CEIV) Pharma

certification process during the fiscal period to solidify KQ Cargo's position as a main hub offering world-class pharma handling solutions for distribution within Africa.



Other Revenue

Other revenues grow by 40% in 2022 to Kshs. 14 billion against Kshs. 10.2 billion in 2021.

OPERATIONS

We closed 2022 with 74.6% more Available Seat Kilometers than in 2021 and 68% more passenger traffic than the previous year. While our On-Time Performance (OTP) dropped by 11% points to 73%, all efforts are being made to return to levels above 80% OTP, as was achieved in 2021.

Operationally, we faced significant infrastructure challenges at The Jomo Kenyatta International Airport (JKIA) hub with insufficient nose in parking positions for the aircraft with access to air bridges, inadequate baggage sorting facility, extended closure of apron spaces for aircraft movement and continued Covid checks on arrivals that have a negative effect on the guest experience and OTP. However, it is important to mention that the opening of Terminal 1B and 1C in October 2022 helped ease congestion at Terminal 1A.



NETWORK

In 2022, the airline strengthened its network by increasing frequencies to respond to the demand from the market and increase connectivity across.

CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

The airline made the following adjustments:

DESTINATION	2021 WEEKLY FREQUENCY	2022 WEEKLY FREQUENCY
Mumbai	3x	6x
Mauritius	3x	7x
Kigali	5x	11x
Accra-Sierra Leone	3x	4x
Accra-Liberia	2x	3x
London	7x	14x
China	1x	2x
Amsterdam	4x	5x
Paris	5x	7x
Johannesburg	21x	24x
Madagascar	7x	9x
Zanzibar	7x	14x

We also introduced 2 new routings in 2022 as follows:

ROUTES	LAUNCHED	FREQUENCY
Accra- Dakar	11 th December 2022	2x weekly
Mombasa - Dubai	15 th December 2022	4x weekly

FLEET DEVELOPMENT

To support the network, we also reviewed our fleet to ensure that it was fit to serve the network growth. The Group operated 39 aircraft, both owned and lease. These comprised nine Boeing 787 wide-body jets, eight Boeing 737 narrow-body jets, thirteen Embraer regional jets, two Boeing 737 freighters and seven Bombardier Dash 8-400.

In 2022, we successfully restructured lease rentals with ten out of twelve lessors, which achieved an average lease reduction of 22% across the fleet, which played a big role in the airline's cost-restricting initiatives. Additionally, KQ agreed with Turkish Airlines to extend sublease agreements for three B777-300ER aircraft until they are 12 years old, which will also be the end of their head leases. 2022 also saw the return of two leased E190s on expiry of their leases.



PARTNERSHIPS

"I can do things you cannot, you can do things I cannot; together we can do great things." - Mother Teresa. At Kenya Airways, we strongly believe in the power of coming together with like-minded partners to bring mutually beneficial synergies in helping us scale and grow in areas we cannot alone. Partnerships, therefore, continue to be key for us.

In 2022, we entered into partnerships and agreements with various airlines to provide our customers with more travel options and excellent network connectivity. These included the following:



Sports Partnerships

In 2022, Kenya Airways strengthened its commitment to sports development in Kenya by extending its partnership in support of the FIA Rally Star Program for 3 years. This program aims to identify, train and develop the next generation of drivers. KQ was also honoured to partner with the M-Sport Ford World Rally Team as the official travel partner. KQ also continued with its three-year partnership which was signed in 2021 with the WRC Safari Rally Kenya as the Official Airline Partner of the Safari Rally. The partnership with WRC will run for the duration of the Safari Rally being part of the WRC. Other sports partnerships included the Magical Kenya Open in which KQ was the official airline sponsor.



NEW PRODUCTS

To support our customer-centricity strategy, we leveraged on technology to improve business efficiencies in distribution, pricing and Revenue Management. Some of these products and initiatives include:

- **New Distribution Capability (NDC)**

Kenya Airways implemented the *New Distribution Channel (NDC)*, a program started by IATA. The platform has enhanced retail and distribution capabilities while offering customers an enriched shopping experience. It also presents opportunities for growth in ancillary revenue while bringing down the cost of distribution by 50%.

CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

• Revenue Planning & Decision Support Solution

KQ implemented a superior Revenue Planning and reporting tool (*RevPlanner*) with various capabilities, including tracking forward performance versus budget, demand forecasting and analysis on multiple parameters to obtain insights for decision making. In addition, the output supports key Revenue Management processes such as pricing, budgeting, performance analysis and distribution channel management.

• Fares Optimizer

Kenya Airways implemented a pricing solution, *Fares Optimizer (FO)*, to help the organization in competitive monitoring and analysis capabilities.

• Customer Excellence

On the service side, we adopted *Customer Excellence* as a core strategic pillar, focusing on improving accessibility to the Customer Excellence Centre. As a result, implementing a modern Telephony solution was timely in servicing the growing demand.



TECHNICAL

The technical side continued to deliver maintenance to the highest standards to ensure the safety of all our aircraft. In 2022, the KQ internal aircraft maintenance offering included: 103 A-checks, 16 C-checks and servicing of 33,334 components.

The Maintenance, Repair and Overhaul (MRO) business also registered a growth in service. The technical department managed to offer Maintenance, Repair and Overhaul (MRO) services to customer airlines such as AirPeace, RwandAir, Astral Aviation, Air Burkina, LAM (Teardown), Air Botswana, Fanjet Express, DHL, Jambojet and several local general aviation airlines with the revenue from MRO.

SAFETY

Safety is our license to operate, a core value and key to our operations success. As an Airline, we constantly identify, prevent, and mitigate environmental risks. Occupational health, Safety and Quality management are some areas the airline continually improves.

To ascertain progress, we regularly monitor internal performance and identify industry best practices on which

we build to meet and exceed set regulatory requirements by the Kenya Civil Aviation Authority. In addition, Kenya Airways introduced a digital safety reporting system to collect information, facilitate data analysis, initiate risk mitigations and ultimately avert safety events. The tool has helped to increase our reporting to 5.9 reports per 100 flights in 2022. This shows the commitment of all employees to ensuring a safe working environment.

TECHNOLOGY

Technology and digital transformation continue to be integral catalysts for our operational efficiency. For example, in 2022, the successful realization of a fully integrated Crew and Fleet Management solution was key in achieving schedule optimizations for better efficiency, regulatory compliance and reduced operational costs.

In addition, a corporate WhatsApp solution was implemented to manage customer interactions in real-time and ensure quick turnaround to customer enquiries. We also introduced a digital platform for customer relationship management to provide direct insights on sales, service management and performance as we drive value for our customers and business partners.

There was also a deliberate focus on cybersecurity to ensure all systems are more secure and resilient.

INNOVATION

Fahari Aviation Limited

UAS Technology is fast-growing and largely untapped in Africa, and Fahari Aviation has positioned itself well within the market to take advantage of the opportunities that are arising. On the Operations side, Fahari Aviation managed to sign agreements for fertilizer application and for mapping using drones.



Fahari training school is now set up, and student training is ongoing. Fahari Aviation has also launched a drone club for enthusiasts and the first drone cage in the region, which is used for training and testing drones and drone equipment.

CHIEF EXECUTIVE OFFICER'S STATEMENT (Continued)

Fahari Innovation

The Fahari Innovation Hub is our springboard for new ideas and data-driven innovations to accelerate impact-driven solutions. In 2022, The Hub continued to play a key role in collaborating with staff and partners to infuse innovation within the Kenya Airways ecosystem.

Some key projects include *The KQ Startups collaboration program*, which offered incubator services for 8 startups, and *The KQ corporate intrapreneurship program*, which offered a training and development program aimed at teaching and nurturing an innovation mindset within Kenya Airways. In addition, the *launch of an upcycling studio* aimed at commercializing items recycled/upcycled from our commercial waste and, finally, the *MyIdea portal*, launched as an idea pipeline management system.

OUR PEOPLE

Our employees' dedication, commitment and resilience has continued to be commendable and instrumental in ensuring the airline delivers value to our customers. At the end of 2022, we had a headcount of 3,825 staff employed across 32 countries, an increase of 281 (8%) compared to the 3,544 staff in FY2021. These staff represent 32 nationalities, with 3,568 being Kenyans. Our overall gender diversity represented 58% male and 42% female as of December 2022.



In 2022 we continued with internal activities around *Reignite*, our Culture Transformation journey, which will see us achieve our 2024 corporate aspirations of being an employer of choice; Africa's preferred airline; and break even by 2024. To support this, we successfully rolled out various initiatives to ensure our employees were well cared for, empowered and equipped. Some of these included:

- The KQ Employee Assistance Program; there was increased EAP uptake to 4.8 % from 3.6% (against global rates of 6%). Over 3000 staff have attended various financial and mental well-being sessions through seminars and counselling support.
- Breast Cancer Awareness event: The Pink Women's Breakfast, attended by over 100 Kenya and international stations, was successfully held to create awareness of Breast Cancer.

- Culture Transformation Journey: squads from across the business were trained and commissioned to drive the culture change agenda at the workplace.
- Training and Capacity Development: 36 managers have graduated from the Manager Excellence Program (Formerly Manager 101). 25 leaders have graduated from the Leadership Fundamentals Program Boeing Global Leadership Institute offered.

We are also pleased to announce that our KQ Pride Centre attained the Dangerous Goods Regulations Competency Based Training & Assessment Centre of Excellence Accreditation. The KQ Pride Centre is the 1st in Africa and 7th in the world to receive this accreditation.

Lastly, we are proud to have been recognized as one of the Best Employer Brand - Sub-Saharan Africa in the Talent Awards organized by LinkedIn in 2022, affirming that we are on the right path to meet our corporate aspiration to be an employer of choice.

In Conclusion



We are confident that with the restructuring initiatives introduced in 2022, the airline is now poised for success and will attain its aspiration to turn around by 2024. We are committed to building a robust, sustainable and successful business that will help ensure we are The Pride of Africa. I sincerely thank all Kenya Airways employees for their hard work and commitment to delivering exceptional service and value to our customers. In addition, I am grateful for the support we have received from the government of Kenya to help us turn around, as well as the support of all our partners and stakeholders.

A handwritten signature in black ink, appearing to read "Allan Kilavuka".

Allan Kilavuka
Group Managing Director & CEO

TAARIFA YA AFISA MTENDAJI MKUU

Ilimesekana mara nyingi kwamba '*wakati wa mabadiliko makubwa unapofika, unaweza kufanya moja kati ya mambo mawili; kujumuika na kuyaelekeza mabadiliko hayo au kuacha mabadiliko yakuelekeze.*' Mwaka wa 2022 ulikuwa mwaka wa mabadiliko makubwa kwa mashirika mengi ya ndege ulimwenguni kote walipokuwa wakipambana na jinsi ya kuweka msingi mpya katika bisashara zao ili kukabiliana na athari ambazo zilikuwa zimeletwa na ugonjwa tandavu. Mashirika ya ndege yalitumia mikakati iliyoeweza kubadilika kwa urahisi ili kulingana na mazingira mapya ya soko.

Kulingana na ripoti ya Baraza la Usafiri na Utalii Duniani la 2022, uhitaji wa usafiri wa kimataifa ulirejea kwa nguvu huku serikali ulimwenguni kote zikilegeza vizuizi nya usafiri vinavyohusiana na UVIKO-19. Jambo hili liliongeza kwa ghafla idadi ya wasafiri wa kimataifa waliowasili ambayo ilikisiwa kuongezeka maradufu, ikiwa na ukuaji wa 109% kwa mwaka ikilinganishwa na 2021, na kufikia 62% ya wingi wa wasafiri wa mwaka 2019.



HALI YA MAPATO

Mapato kutoka kwa Abiria

Katika miezi 12 iliyoishia Disemba 2022, mapato kutoka kwa abiria yalifiki Shilingi bilioni 88.8 za Kenya, likiwa ni ongezeko kutoka kwa Shilingi bilioni 46.5 za Kenya katika mwaka wa 2021. Hili linawakilisha ongezeko la 90.7%.

Mapato kutoka kwa Mizigo

Katika mwaka wa fedha wa 2022, mapato ya mizigo na barua yalizalisha jumla ya Shilingi bilioni 13.9 za Kenya. Matokeo haya ya mapato yaliwakilisha ongezeko la asilimia 3 kutoka mwaka mmoja hadi mwagine. Pia, mwezi wa Oktoba 2022 ulikuwa mwisho wa shughuli za kusafirisha mizigo kwa ndege ambazo awali zilikuwa za abiria, huku ndege mbili za Dreamliner zikirejelea shughuli za kubeba abiria kufikia Agosti na Oktoba. Matokeo yake ni kwamba mapato kutoka kwa mizigo yameongezeka kwa zaidi ya asilimia 30 ikilinganishwa na kipindi cha kabla ya mgogoro kutokea. Zaidi ya hayo, kwa sababu ya maendeleo ya hivi majuzi ya miundombinu ndani ya kituo chetu, bohari lilianza mchakato wa uidhinishaji wa cheti cha Kituo cha IATA cha Ubora cha Wathibitishaji Huru (CEIV) wa Dawa katika mwaka wa fedha ili kuimarisha nafasi ya Kitengo cha Mizigo cha Shirika la Ndege la Kenya kama kitovu kikuu kinachotoa huduma ya kiwango cha kimataifa za ugavi wa dawa barani Afrika.



Mapato mengine

Mapato mengine yalikua kwa 40% katika mwaka wa 2020 hadi Shilingi bilioni 14 za Kenya dhidi ya Shilingi bilioni 10.2 katika mwaka wa 2021.

UTENDAJI

Tulifunga mwaka wa 2022 tukiwa na 74.6% ya uwezo wa ndege kubeba abiria kuliko mwaka wa 2021 na 68% zaidi ya abiria wa ndege kuliko mwaka uliopita. Huku Ufanisi wetu wa Huduma katika Ratiba (OTP) Iliyowekwa ulishuka kwa pointi 11% hadi 73%, jitihada zote zinafanywa ili kurejelea viwango nya juu vya 80% OTP, kama ilivyoafikiwa katika mwaka wa 2021.

Kiutendaji, tulikabiliwa na changamoto kubwa za miundombinu katika kitovu cha Uwanja wa Ndege wa Kimataifa wa Jomo Kenyatta (JKIA) kukiwepo na ukosefu wa maegesho karibu na kituo katika uwanja wa ndege ambapo ndege inaweza kuunganishwa na njia iliyoinku ya kupitia kutoka kwa ndege, kituo kisichotosheleza cha kupanga mizigo, kufungwa kwa muda mrefu kwa nafasi za kupakia, kupakua na kugeuzia ndege na kuendelea kuwapima wanaowasili UVIKO-19 ambako kuna athari hasi kwa tajriba ya wageni na OTP. Hata hivyo, ni muhimu kutaja kwamba kufunguliwa kwa Kituo cha 1B na 1C mnamo Oktoba 2022 kulinanguza msongamano kwenye Kituo cha 1A.



MTANDAO

Katika mwaka wa 2022, shirika la ndege liliimarisha mtandao wake kwa kuongeza wingi wa safari ili kukidhi mahitaji kutoka kwa wateja na kuongeza muunganisho kote.

TAARIFA YA AFISA MTENDAJI MKUU (Inaendelea)

Shirika la ndege lilifanya marekebisho yafuatayo:

MWISHO WA SAFARI	2021 MARA NGAPI KILA WIKI	2022 MARA NGAPI KILA WIKI
Mumbai	Mara 3	Mara 6
Mauritius	Mara 3	Mara 7
Kigali	Mara 5	Mara 11
Accra-Sierra Leone	Mara 3	Mara 4
Accra-Liberia	Mara 2	Mara 3
London	Mara 7	Mara 14
China	Mara 1	Mara 2
Amsterdam	Mara 4	Mara 5
Paris	Mara 5	Mara 7
Johannesburg	Mara 21	Mara 24
Madagascar	Mara 7	Mara 9
Zanzibar	Mara 7	Mara 14

Pia tulianzisha njia 2 mpya katika mwaka wa 2022 kama ifuatavyo:

NJIA	UZINDUZI	MARA NGAPI
Accra- Dakar	11 Disemba 2022	Mara 2 kila wiki
Mombasa - Dubai	15 Disemba 2022	Mara 4 kila wiki

UONGEZAJI WA NDEGE

Ili kuunga mkono mtandao, tulikagua ndege zetu ili kuhakikisha kuwa zinatafaa kuhudumia ukuaji wa mtandao. Kundi letu linazo ndege 39, kukiwa kuna zinazomilikiwa na zinazokodishwa. Hizi zilijumuisha ndege tisa aina ya Boeing 787 zenye umbo pana, ndege nane aina ya Boeing 737 zenye umbo jembamba, ndege kumi na tatu aina ya Embraer jeti ya kieneo, ndege mbili aina ya Boeing 737 za mizigo na saba za aina ya Bombardier Dash 8-400.

Katika mwaka wa 2022, tulirekebisha kwa ufanisi ukodishaji na wapangishaji kumi kati ya kumi na wawili, jambo ambalo lilituwezesha kupata punguzo la wastani la ukodishaji wa 22% katika kundi zima la ndege. Hili lilitaidia pakubwa katika mipango ya kudhibiti gharama ya shirika hili la ndege. Zaidi ya hayo, Shirika la Ndege la Kenya (KQ) lilitukubaliana na Shirika la Ndege la Uturuki kuongeza muda wa mkataba mdogo wa ukodishaji wa ndege tatu za B777-300ER hadi zitakopofikisha miaka 12, wakati ambao pia utakuwa mwisho wa ukodishaji wao. Mwaka wa 2022 pia ulishuhudia kurejea kwa E190 mbili zilizokuwa zimekodishwa baada ya kumalizika muda wake wa ukodishaji.



USHIRIKA

"Ninaweza kufanya mambo ambayo huwezi, unaweza kufanya mambo ambayo siwezi; pamoja tunaweza kufanya mambo makubwa." - Mama Teresa. Katika Shirika la Ndege la Kenya, tunaamini kwa dhati uwezo wa kuja pamoja na washirika wenyewe nia kama zetu ili kuleta ushirikiano wa manufaa kwa pande zote katika kutusaidia kukua katika maeneo ambayo hatuwezi peke yetu. Kwa hivyo, ushirikiano unaendelea kuwa muhimu kwetu.

Katika mwaka wa 2022, tulianzisha ushirikiano na makubaliano na mashirika mbalimbali ya ndege ili kuwapa wateja wetu chaguo zaidi za usafiri na muunganisho bora wa mtandao. Makubaliano hayo yalijumuisha haya yafuatayo:



Ushirikiano wa Michezo

Katika mwaka wa 2022, Shirika la Ndege la Kenya liliimarisha kujitolea kwake kwa maendeleo ya michazo nchini Kenya kwa kupanua ushirikiano wake kuunga mkono Mpango wa FIA Rally Star kwa miaka mitatu. Lengo la mpango huu ni kutambua, kufunza na kuendeleza kizazi kijacho cha madereza. Pia Shirika la Ndege la Kenya (KQ) liliipewa heshima ya kushirikiana na Timu ya Mbio za Dunia ya M-Sport Ford kama mshirika rasmi wa usafiri. Pia Shirika la Ndege la Kenya liliendelea na ushirikiano wake wa miaka mitatu ambao ulitiwa saini mwaka wa 2021 na WRC Safari Rally Kenya kama Mshirika Rasmi wa Shirika la Ndege wa Safari Rally. Ushirikiano mwininge wa michezo ulijumuisha Magical Kenya Open ambapo Shirika la Ndege la Kenya (KQ) liliikuwa mfadhilli rasmi wa shirika la ndege.



BIDHAA MPYA

Ili kusaidia mkakati wetu unaozingatia wateja, tulitumia teknolojia ili kuboresha ufanisi wa biashara katika usambazaji, uwekaji bei na Usimamizi wa Mapato. Baadhi ya bidhaa na mipango hii ni pamoja na:

TAARIFA YA AFISA MTENDAJI MKUU (Inaendelea)

· Uwezo Mpya wa Usambazaji (NDC)

Shirika la Ndege la Kenya lilitekeleza *Njia Mpya ya Usambazaji (NDC)*, mpango ulioanzishwa na IATA. Jukwaa hili limeongeza uwezo wa uuzaaji na usambazaji huku likiwapa wateja uzoefu ulioboreshw. Pia linatoa fursa za ukuaaji wa mapato ya ziada huku likipunguza ghamara ya usambazaji kwa 50%.

· Suluhisho la Usaidizi wa Kupanga Mapato na Uamuzi

Shirika la Ndege la Kenya (KQ) lilitumia zana bora zaidi ya Kupanga na Kuripoti Mapato (RevPlanner) yenye uwezo mbalimbali, ikiwa ni pamoja na kufuatilia utendakazi wa siku za usoni dhidi ya bajeti, utabiri wa mahitaji na uchanganuzi kwa kutumia vigezo vingi ili kupata maarifa ya kufanya uamuzi. Zaidi ya hayo, matokeo yanasaaidia michakato muhimu ya Usimamizi wa Mapato kama vile uwekaji bei, utayarishaji wa bajeti, uchanganuzi wa utendaji na usimamizi wa njia za usambazaji.

· Kitafuta Nauli Nafuu

Shirika la Ndege la Kenya lilitekeleza suluhisho la uwekaji bei, *Kitafuta Nauli Nafuu (FO)*, ili kusaidia shirika katika uwezo wa ushindani wa ufutiliaji wa uchanganuzi.

· Huduma Bora kwa Wateja

Kwa upande wa huduma, tulichagua kutumia Huduma Bora kwa Wateja kama nguzo kuu ya kimkakati, tukilenga kuboresha ufkiaji wa Kituo cha Utoaji wa Huduma Bora kwa Wateja. Kutokana na hilo, utekelezaji wa suluhisho la kisasa la matumizi ya simu ulikuja wakati unaofaa katika kuhudumia mahitaji yanayoongezeka.



KIUFUNDI

Upande wa kiufundi uliendelea kutoa matengenezo kwa viwango vya juu ili kuhakikisha usalama wa ndege zetu. Katika mwaka wa 2022, matengenezo ya ndege za ndani za Shirika la Ndege la Kenya (KQ) yalijumuisha: Ukaguzi 103 wa kiwango cha A, ukaguzi 16 wa kiwango cha C na utengenezaji na utunzaji wa sehemu 16 33,334.

Biasara ya Matengenezo, Ukarabati na Urekebishi (MRO) pia ilipata ongezeko katika huduma iliyotolewa. Idara ya Ufundu iliweza kutoa huduma za Matengenezo, Ukarabati na Urekebishi (MRO) kwa mashirika ya ndege yaliyo wateja wake kama AirPeace, RwandAir Astral Aviation, Air Burkina, LAM (Teardown), Air Botswana, Fanjet Express, DHL, Jambojet na mashirika kadhaa ya ndani ya ndege yenye mapato kutoka MRO.

USALAMA

Usalama unasalia kuwa msingi mkuu kabisa unaowezesha Shirika la Ndege la Kenya kufanya kazi, thamani ya msingi ambayo ni na muhimu kwa utendakazi na mafanikio yetu. Kama Shirika la Ndege, daima tunatambua, kuzuia, na kupunguza hatari za mazingira. Usimamizi wa Afya, Usalama na Ubora kzini ni baadhi ya maeneo ambayo shirika hili la ndege huboresha kila mara.

Ili kujua maendeleo yaliyopatikana, tunafuatilia mara kwa mara utendakazi wa ndani na kubainisha mbinu bora za tasnia ambazo zinakuwa msingi wetu wa kujenga na kukidhi na hata kuzidi mahitaji ya udhibiti yaliyowekwa na Mamlaka ya Usafiri wa Anga wa Kenya. Zaidi ya hayo, Shirika la Ndege la Kenya lilianzisha mfumo wa kidijitali wa Kuripoti usalama ili kkusanya taarifa, kuwezesha uchanganuzi wa data, kuanzisha upunguzaji wa hatari na hatimaye kuепusha matukio yanayohusu usalama. Zana hii imesaidia kuongeza ripoti zetu hadi 5.9 kwa kila safari 100 za ndege katika mwaka wa 2022. Hii inaonyesha kujitolea kwa wafanyakazi wote katika kuwa kuna mazingira salama ya kufanya kazi.

TEKNOLOGIA

Teknolojia na mabadiliko ya kidijitali vinaendelea kuwa vichocheo muhimu kwa ufanisi wetu wa kufanya kazi. Kwa mfano, katika mwaka wa 2022, ufkiaji mkamilifu na uliofanikiwa wa suluhisho ya Usimamizi wa Wafanyakazi na Ndege ulikuwa muhimu katika kufikia uboreshaji wa ratiba kwa ufanisi, utii wa kanuni na upunguzaji wa ghamara za uendeshaji shughuli.

Pia, suluhisho la kampuni la kutumia mtandao wa WhatsApp liitekelezwa ili kuweza kuwasiliana na wateja papo hapo na kuhakikisha kuna majibu ya haraka kwa maswali ya wateja. Pia tulianzisha jukwaa la kidijitali la usimamizi wa uhusiano na wateja ili kutoa umaizi wa moja kwa moja kuhusu mauzo, usimamizi wa huduma na utendakazi tunapoongeza thamani kwa wateja wetu na washirika wa biashara. Pia tulilenga kimakusudi usalama wa kimtandao ili kuhakikisha kwamba mifumo yote iko salama na thabiti.

UBUNIFU

Fahari Aviation Limited

Teknolojia ya UAS inakua kwa kasi na haijatumika kwa kiasi kikubwa barani Afrika, na Fahari Aviation imechukua nafasi nzuri sokoni ili kutumia furasa zinazojitokeza. Kwa upande wa uendeshaji shughuli, Fahari Aviation ilifanikiwa kutia saini makubaliano ya kuweka mbolea na kutengeneza ramani kwa kutumia ndege zisizo na rubani.



TAARIFA YA AFISA MTENDAJI MKUU (Inaendelea)

Sasa, shule ya mafunzo ya Fahari imeanzishwa, na mafunzo ya wanafunzi yanaendelea. Pia, Fahari Aviation imeanzishwa chama cha wapenzi wa ndege zisizo rubani na kizimba cha kwanza cha ndege zisizo rubani katika eneo hili, ambacho kinatumwa kwa mafunzo na majaribio ya ndege zisizo rubani na vifaa vya ndege hizo.

Fahari Innovation

Fahari Innovation Hub ndiyo chachu yetu ya mawazo mapya na uvumbuzi unaotokana na data ili kuharakisha suluhisho zinazotoleta mabadiliko. Kitovu hiki kiliendelea kutekeleza jukumu muhimu katika kushirikiana na wafanyikazi na washirika ili kuingiza ubunifu ndani ya mfumo ikolojia wa Shirika la Ndege la Kenya.

Baadhi ya miradi muhimu ni pamoja na *mpango wa ushirikiano wa Biashara mpya za Shirika la Ndege la Kenya (KQ)*, ambao ulitoa huduma za kukuza biashara mpya 8, na mpango wa ujasiriamali wa Shirika la Ndege la Kenya, ambao ulitoa programu ya mafunzo na maendeleo yenye lengo la kufunza na kukuza fikra za kiuvumbuzi ndani ya Shirika la Ndege la Kenya. Pia, *uzinduzi wa studio ya kutumia tena vitu viliviyotupwa* inayolenga kubidhaisha vitu vinavyotumiwa tena kutoka kwa taka zetu za kibashara na, hatimaye, *Iango la Myldea* lilirozinduliwa kama mfumo wa usimamizi wa bomba la mawazo.

WAFANYIKAZI WETU

Kujitolea n uthabiti wa wafanyikazi wetu umeendelea kuwa wa kipakee na muhimu katika kuhakikisha kuwa shirika hili la ndege linawahudumia wateja wetu kwa njia bora wanayostahili. Mwishi mwa mwaka wa 2022, tulikuwa na wfanyakazi 3,825 walioajiriwa katika nchi 32, hili likiwa ongezeko la 281 (8%) ikilinganishwa na wafanyikazi 3,544 katika mwaka wa fedha wa 2021. Wafanyikazi hawa wanatoka katika mataifa 32, huku 3,568 wakiwa Wakanya. Uanuwai wetu wa kijinsia kwa jumla uliwakuwa 58% wanaume na 42% wanawake kufikia Disemba 2022.



Katika mwaka wa 2022 tuliendelea na shughuli za ndani karibu na *Reignite*, safari yetu ya Mabadiliko ya Utamaduni, ambayo yatakuwezesha kufikia matarajio yetu ya kampuni ya 2024 ya kuwa mwajiri anayependelew; Shirika la Ndege linalopendelea barani Afrika; na kufikia wakati ambapo gharama italingana na mapato kufikia mwaka 2024. Ili kuunga mkono hili, tulifaali kuanzisha mipango mbalimbali ili kuhakikisha wafanyikazi wetu wanatunzwa vyema, wanawezeshwa na kupewa vifaa vinavyohitajika. Baadhi ya mambo hayo ni pamoja na:

- **Mpango wa Usaidizi wa Wafanyikazi wa KQ**; kulikuwepo na ongezeko la matumizi ya mpango wa kuwasaidia wafanyikazi hadi 4.8% kutoka 3.6% (ikilinganishwa na

viwango vya kimataifa vya 6%). Zaidi ya wafanyikazi 3000 wamehuduria vikao mbalimbali vya ustawi wa kifedha na kiakili kuititia semina na usaizidi wa ushauri.

- **Tukio la Uhamasishaji kuhusu Saratani:** Kiamshakinywa cha Wanawake Waliovaa Rangi ya Waridi, kilichohudhuriwa na zaidi ya vituo 100 vya Kenya na vya kimataifa, kilifanyika kwa mafanikio ili kuhamasisha watu kuhusu Saratani ya Matiti.
- **Safari ya mabadiliko ya utamaduni:** vikundi kutoka kote kwene biashara hii vilifunzwa na kuagizwa kuendesha ajenda ya mabadiliko ya utamaduni mahali pa kazi.
- **Mafunzo na Ukuzaji wa Uwezo:** mameneja 36 wamefuzu kutoka kwa Programu ya Ubora wa Meneja (Awali ikiitwa Meneja 101). Viongozi 25 wamehitimu kutoka kwa Programu ya Misingi ya Uongozi iliyotolewa na Taasisi ya Uongozi ya Kimataifa ya Boeing.

Pia tunayo furaha kutangaza kwamba Kituo chetu cha fahari cha KQ kilifikia Mafunzo ya Umilisi wa Kanuni za Bidhaa Hatari na Kituo cha Tathmini ya Utoaji wa Ubora. Kituo cha KQ Pride ni cha kwanza barani Afrika na cha saba ulimwenguni kupokea kibali hiki.

Hatimaye, tunajivuna kutambuliwa kama moja ya Chapa ya Mwajiri Bora - Afrika Kusini mwa Jangwa la Sahara katika Tuzo za Talanta zilizoongozwa na LinkedIn katika mwaka wa 2022, na kuthibitisha kwamba tuko kwene njia sahihi ya kukidhi matarajio yetu ya shirika ya kuwa mwajiri anayevutia watu wengi.

Hitimisho



Tuna hakika kwamba kutohakikisha na mipango ya urekebishaji iliyoanzishwa katika mwaka wa 2022, sasa shirika la ndege liko tayari kupata mafanikio na litafikia matarajio yake ya kuanza kupata faida kufikia 2024. Tumejitolea kujenga biashara thabiti, endelevu na yenye mafanikio ambayo itasaidia kuhakikisha kuwa sisi ndio Fahari ya Afrika. Ninawashukuru kwa dhati wafanyikazi wote wa Shirika la Ndege la Kenya kwa bidii na kujitolea kwao katika kutoa huduma ya kipekee kwa wateja wetu. Isitoshe, ninashukuru kwa uungwaji mkono ambao tulipokea kutoka kwa serikali ya Kemya ili kutusaidia kubadilisha shirika na kupata faida, pamoja na uungwaji mkono wa washirika na washikadau wetu wote.

Allan Kilavuka

Mkurugenzi Mkuu Mtendaji Afisa Mkuu wa Kundu



*Elevating pharma distribution
logistics to alleviate the
disease burden in Africa.*



KQ Pharma



*Developing the next
generation of competitive
rally drivers in Kenya.*



Sports

STATEMENT OF CORPORATE GOVERNANCE

The Board of Kenya Airways Plc ("the Company") is committed to good corporate governance and understands its oversight and foresight roles in leading the Company for the sustainable benefit of all its stakeholders. In this regard, the Board has adopted corporate governance practices that are in line with the principles and standards set out under the Capital Markets Code of Corporate Governance for Issuers of Securities in Kenya ("the Code").

While recognising that it has overall responsibility for the governance of the Company, the Board is committed to providing strategic direction, the necessary support and advice to Management. Through the Company's defined mission, vision and values, the Board is committed to high standards of ethical behaviour characterised by effective and responsible leadership, accountability, fairness, probity and integrity, transparency, efficiency and effectiveness. The Board is further committed to recognising the legitimate interests of various stakeholders including shareholders, staff, customers, the Government and the public.

The Board recognises that the long-term sustainability of the Company heavily depends on its effective stewardship. In this regard, the Board has taken time to formulate appropriate strategies and policies for the delivery of the Company's strategy. At the same time, the Board is keen on ensuring that Management is focused on the achievement of targets while fostering a culture that values ethical behaviour, integrity and respect and the need to conduct the business and operations of the Company in accordance with generally accepted corporate practices. The Board has therefore ensured that the Company as a whole has embraced good corporate governance in its structure, policies and operations.

Board of Directors

The Articles of Association of the Company, and the Board Charter vests the governance of the Company in the Board of Directors. The Board is currently composed of ten (10) Directors as set out below:

Mr. Michael Joseph	- Independent Non-Executive Director (Chairman)
Mr. Allan Kilavuka	- Group Managing Director & CEO
Dr. Haron Sirima	- Non-Executive Director (Rep. of C.S. the National Treasury)
Mr. Mohamed Daghar	- Non-Executive Director (PS State Department for Transport)
Ms Caroline Armstrong	- Independent Non-Executive Director
Maj. Gen (Rtd) Michael Gichangi	- Independent Non-Executive Director
Mr. John Wilson	- Non-Executive Director
Mr. Phillip Wambugu	- Non-Executive Director
Mr. Christopher Buckley	Independent Non-Executive Director
Mr. David Kabeberi	Independent Non-Executive Director
Eng. Michael Muchiri	Alternate Director to the PS. State Department for Transport
Mr. Habil Waswani	- Company Secretary

The Chairman is responsible for effective leadership and effective performance of the Board and for the maintenance of relations between the Board and key stakeholders. The Board acts collectively but remains aware that Directors are individually and collectively responsible for the governance of the Company.

The Responsibilities of the Board

The Board is clear on its role, powers, duties and functions. The Board has ensured the development of a Board Manual which contains a robust Board Charter, as disclosed on the Company's website as required by the Code. The Board is also guided by a number of policies including a Code of Business Conduct, a Directors' Code of Conduct, a Conflict of Interest and Gifts Policy, Insider Trading Policy, Board Induction and Development Policy, Dispute Resolution Policy, Board Diversity Policy, Board Appointment Procedures as well as a Stakeholder Management Policy, which are all contained in the Board Manual.

The Board develops and annually approves its Work Plan, which enables it to have a balanced view of the business and to be sufficiently forward looking, with approximately 60% of its time being spent on matters that help it shape the future. The Work Plan also enables the Board to plan its activities in advance and to ensure that its Board meetings are planned and executed in an effective manner. Besides Board and Committee meetings, the Work Plan sets out other Board activities including Board Evaluation, Board retreats and training as well as investor briefings. The Board's Work Plan is approved before the commencement of the financial year to which it relates. The agenda for Board meetings is derived from the Board Work Plan.

The full Board plans quarterly meetings in order to conduct its affairs. However, when need arises, the Board also holds special meetings to fulfil its mandate and to guide the Management as appropriate. The directors receive all relevant information for the discharge of their obligations in an accurate, timely and clear form so that they can guide and maintain full and effective control over strategic, financial, operational and compliance issues.

Board appointment, composition and succession planning

As a result of the current shareholding structure, nine out of the ten members of the Board are non-executive directors. Four out of those ten directors are independent, including the Chairman of the Board.

The Board considers that collectively, the directors have the range of skills, knowledge and experience necessary to direct the Company. In this regard, the Board has developed a detailed skills and competence matrix that guides it in recommending directors for appointment. The Board's skills and competence matrix is aligned to the Company's strategy and provides guidance for diversity in knowledge and experience, governance and industry skills, personal attributes as well as non-skills considerations such as gender and age. The skills and competence matrix is used in conjunction with the Board Appointment Procedures and Board Diversity Policy which are published on the Company's website. Nominations

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Board appointment, composition and succession planning (Continued)

to the Board are handled by the Corporate Governance and Nominations Committee, which vets all potential directors before recommending them to the Board for appointment. The Board then makes recommendations to the Shareholders at the Annual General Meeting.

Non-executive board members are appointed for an initial term of three years. The Board implements term limits in line with the Articles of Association, the Board Charter and the Board rotation schedule. In this regard, the independent non-executive directors serve for a maximum of three terms of three years each. Re-appointment of directors to the Board for a further term is dependent on good performance, with the Corporate Governance and Nominations Committee assessing the director's performance and fit on the Board, and ultimately their election by shareholders at the Annual General Meeting.

Each director has a detailed letter of appointment setting out the terms and conditions of service including their fiduciary duties. The Chairman has a specific letter of appointment as Chairman of the Board. Each director has accepted their appointment in writing.

The Board manages its succession planning with the assistance of the Corporate Governance and Nominations Committee. The Committee has put in place a succession plan for the Board and in line with the skills matrix, reviews existing and desired competencies and guides the Board and shareholders accordingly whenever appointments are to be made. All except the Group Managing Director are subject to rotation in accordance with the Company's Articles of Association, the Code, as well as the Board's Rotation Policy.

In this regard, three directors will retire by rotation at the Annual General Meeting.

Board Rotation schedule

Director	Year of first Appointment	Last year of Re-election	Next year of Re-election / Retirement by Rotation
CS Treasury (Dr. Harun Sirima)	2013	2019	2023
Ms. Caroline Armstrong	2014	2020	2023**
Mr. Michael Joseph	2016	2022	2025
Maj. Gen (Rtd) Michael Gichangi	2017	2021	2024
Mr. John Ngumi	2019	2023*	-
PS Transport (Mr. Mohamed Daghar)	2020	2020	2023
Mr. John Wilson	2021	2021	2024
Mr. Philip Wambugu	2021	2021	2024
Mr. Angus John Clarke	2022	2022*	-
Mr. Christopher Buckley	2023	-	2023
Mr. David Kabeberi	2023	-	2023

* Retired/ Resigned

** To retire upon reaching 9 years on the Board.

Notes:

- One third of the number of directors (other than executive directors) are required to retire by rotation in each year.
- The directors to retire in every year shall be those who (i) have been appointed by the Board since the previous annual general meeting in accordance with Article 67, (ii) being subject to retirement by rotation, have been the longest in office since their election or appointment, but as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

During the year under review, Mr. Michael Joseph, Mr. John Ngumi and Mr. Angus Clarke were elected to the Board at the Annual General Meeting of the Company held on 8th July 2022. The three directors were vetted by the Corporate Governance and Nominations Committee and in line with Charter pursuant to the skills and competence assessments done, were recommended by the Board to the shareholders, who duly elected them as directors

unanimously. At the same Annual General Meeting of the Company, Ms. Esther Koimett retired as a director of the Company, whereas, Mr. Angus Clarke resigned as a director in November 2022, following his appointment as the Chief Commercial Officer of Air France-KLM Group.

In the course of the year the Board approved a revised organogram for the company that contains a robust succession plan for senior management. The Human Resources Committee is responsible for ensuring that the organogram and succession plan are reviewed regularly and that the necessary interventions are in place to ensure that the Company is not exposed to the risks that arise from human capital gaps in the organizational structure.

Board induction and continuous skills development

Upon appointment, directors undergo a detailed, rigorous and formal induction programme in line with the Company's Board Charter and the Board Induction and Development Policy. The aim of the induction programme is to enable

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Board induction and continuous skills development (Continued)

the new director to become effective in their new role as quickly as possible. The new director is therefore provided with pertinent information to help them understand the Company and their role. The new director is also required to experience first-hand the key operations of the Company and a detailed walk about programme is prepared for this purpose. New directors also meet senior Management, the Company Secretary and the Chairman of the Board before their first Board meeting. New directors are also provided with an appointment letter setting out pertinent matters relating to their appointment as a director and receive among others, copies of the Company's Articles of Association, the Board work plan, the Board Charter and relevant Board Policies.

The Corporate Governance and Nominations Committee considers and recommends Board development programmes to ensure that the Board is kept up-skilled. During the year under review however, given the extended financial impact of the Covid-19 pandemic, and the extensive meetings and planning revolving around the proposed restructure of the Company's operations, no Board development was undertaken. It is expected that Board members will undergo Board development programmes in the year 2023.

Code of Business Conduct & Ethics

The Company is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. A formal Code of Business Conduct and Ethics has been approved by the Board and is fully implemented to guide the Board, Management, employees and stakeholders on acceptable behaviour in conducting business. All Board members and employees of the Airline are expected to avoid activities and financial interests that could undermine their responsibilities to the airline. The Board has approved a Conflict of Interest and Gifts Policy as well as a Code of Conduct specific to the Board. Directors are required to declare any conflict of interests upon appointment. In addition, a Director with an actual or potential conflict of interest in relation to a matter before the Board is required to disclose such interest and to recuse himself or herself from the discussions relating to the matter in question. In this regard, declaration of conflict of interest is a standing agenda item during Board and Committee meetings. In addition, Board members are required on an annual basis to make a declaration of any conflict of interest.

The Company has a strict insider trading policy to which the Directors and Senior Management must adhere. The Board is not aware of any insider dealings during the period under review. All related party transactions have been considered by the Audit and Risk Committee and have been disclosed in the Company's audited financial statements.

Further, in order to drive, create awareness and embed the culture of ethics and integrity within the Company, a standalone role of Ethics and Integrity Manager was established during the year under review.

Board evaluation

During the year under review, the Board elected to focus on closure of the specific areas of concern raised during the evaluation exercise conducted in 2021 which generally covered the following areas, enhancing focus on strategic inputs that effectively support management and continued operation of the Company (despite the very difficult operating environment for all global airlines), enhancing its focus on customer centricity and service level issues placing the customer at the core, as well as look to onboarding of a director with expertise on commercial airline matters, which was accomplished through the appointment of Mr. Angus Clarke who unfortunately subsequently resigned following his appointment as the Chief Commercial Officer of Air France-KLM Group, in November 2022.

Governance Audit

The Board undertook a Governance Audit exercise of its operations in 2021 through Envision Strategy Solutions Limited consultants who gave the Company an unqualified opinion on the state of Corporate Governance practices being undertaken at the Company as dictated by the Code and the Companies Act as well as other ancillary Regulations. During the year under review, the Board elected to focus on pursuing closure of the observations for improvement highlighted in the last Governance Audit exercise. Further, in 2022, the Board was happy to receive and independent annual assessment report by the Capital Markets Authority, in which the Company had recorded a significant improvement compared to the previous period, with the overall Governance and Leadership score improving from 79% to 86%. The Board remains committed in ensuring that all identified areas of improvement are tracked and implemented by the Company, through the Corporate Governance and Nominations Committee. The Company will undertake progressive internal legal and compliance reviews to assess the state of its compliance with the expansive regulatory environment.

Transparency and disclosure

The Company is committed to ensuring that shareholders and other stakeholders are provided with full, accurate and timely information about its performance. This is achieved by the distribution of the Company's Annual Report, the publication of half year and full year results in the press and on the Company's website. These are also released to the securities markets and capital markets authorities. There are also two investor briefings per annum for institutional investors.

Periodically there are press releases announcing other major company developments, which could be considered as being price sensitive information. In this regard, the Company also complies with the continuing listing obligations of the Capital Markets Authorities and Securities Exchanges applicable in Kenya, Uganda and Tanzania. The Annual Report is published each year on the Company's website together with the notice of the Annual General Meeting.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Transparency and disclosure (Continued)

There is regular communication with the staff as guided by the Human Resource Policies. In addition, the Board holds frequent engagements with key stakeholders through the meetings with key shareholders, media releases when necessary, investor briefing sessions as well as at the Annual General Meeting.

External consultants

When required, the Board seeks external advice or assistance on issues over which there is concern, if it is considered necessary.

Attendance at Board meetings

Board members commit to regularly attend and to be effectively participating in Board meetings through robust debate. This is made possible by early planning. Board attendance for the period under review is as set out below, indicating that regular attendance at meetings is the norm.

Mr. Michael Joseph	-	11/12
Mr. Allan Kilavuka	-	12/12
Ms. Caroline Armstrong	-	11/12
Major Gen.(Rtd) Michael Gichangi	-	12/12
Mr. Philip Wambugu	-	12/12
Mr. John Wilson	-	12/12
Mrs. Esther Koimett	-	7/12*
Mr. John Ngumi	-	12/12
Dr. Haron Sirima (C.S. National Treasury)	-	7/12
Dr. Eng. Joseph Njoroge/Mr M. Daghar (P.S. Transport) -	-	6/12
Mr. Angus Clarke	-	6/12**

* Retired at the 2022 AGM

** Appointed in March 2022 and resigned in November 2022

Relationship between the Board and Management

There is a clear separation of roles between the Board and Management, and this separation has been clearly stipulated in the Board Charter. The role of the Chairman of the Board is separate from that of the Group Managing Director and Chief Executive Officer, and in line with good governance practice, the Board has delegated authority for the conduct of day-to-day business to the Group Managing Director and Chief Executive Officer. This delegation has been clearly defined in the Board Charter. The Board nonetheless remains accountable for the overall management and long-term success of the Company.

Committees of the Board

The Board has four standing committees namely:

- Audit and Risk Committee.
- Corporate Governance and Nominations Committee.
- Strategy and Business Development Committee.
- Human Resources Committee

The Committees meet regularly under formal Terms of Reference (TORs) set and approved by the Board. The Committees' meet before scheduled Board meetings and prepare and present their reports to the Board. The composition of the Committees is determined by the Board following recommendations from the Corporate Governance and Nominations Committee. The members of the Audit and Risk Committee are elected by the Shareholders at the Annual General Meeting.

The reports of each of the Board Committees are contained in this report.

Internal controls

The Board through the Audit and Risk Committee ensures that the Company has defined procedures for internal controls to ensure the integrity of the assets of the Company and the reporting of complete and accurate financial 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 Company 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 by the Internal Audit team. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Weekly meetings are held by Executive Management to monitor performance and to agree on measures for improvement.

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

Risk Management governance

The Board is in the process of reviewing the existing Enterprise Risk Management Framework and in 2022 there was a clear separation of the risk management function from internal audit as recommended by the Governance Audit undertaken in 2021. The Audit and Risk Committee is responsible for ensuring that both strategic and operational risks are identified, tracked and managed in accordance with the processes set out in the Enterprise Risk Management Framework. The newly established Risk and Compliance function assists management to independently review and coordinate all enterprise-wide risk and compliance issues with the aim of improving the business environment from a risk and compliance perspective as well as progressively embed a robust risk awareness and management culture within the Company.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Internal audit

The Internal Audit function reports to the Board through the Audit and Risk Committee. Internal Audit is independent of Management and is not involved from an operational perspective in the activities it reviews. Internal Audit provides assurance that the design and operation of the Company's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the annual audit Work Plan targets the higher risk activities in each business unit or function. All audits are conducted in a manner that conforms to international auditing standards.

External auditor relationship

The Audit and Risk Committee oversees the appointment and relationship with the external auditor including the requirement to ensure the independence of the external auditor. The Audit and Risk Committee meets with the external auditor, sometimes in the absence of management.

Strategic planning process

The Board has adopted both a long term and short-term strategic planning process. Management is guided in the planning process by the Strategy and Business Development Committee, which proposes to the Board the adoption of both the long term and short terms plans. In addition, the Board approves the annual business plan supported by an agreed budget. The plans take into account identified risks and opportunities. The Strategy and Business Development Committee is responsible for monitoring the implementation of approved plans.

Compliance with laws and regulations and standards

The airline industry is highly regulated and the accountable manager is charged with the responsibility of ensuring compliance with applicable laws, regulations, standards and protocols. The Board seeks to ensure compliance with applicable laws and regulations and receives regular reports on legal matters. The Board is not aware of any material departures from required compliance.

Directors emoluments and loans

The Board has put in place a Board Remuneration Policy and the emoluments paid to each Director including benefits enjoyed for services rendered during the financial year 2022 are disclosed in the notes to the financial statements, and more particularly set out in the Director's Remuneration Report contained in this Annual Report. The Shareholders approved the Board Remuneration at the Annual General Meeting held on 8th July 2022.

Directors' interests

At no time during the year was there any arrangement to which the Company was a party, whereby Directors acquired benefits by means of transactions in the Company's shares outside applicable law.

Directors' interests in the shares of the Company as at 31st December 2022 was as follows:

Name of Director	Number of Shares
Major General (Rtd.) Michael Gichangi	2,025

Company Secretary

The Company Secretary is Habil A. Waswani, who is a member of the Institute for Certified Secretaries of Kenya (ICSK) and in good standing.

Information Technology (IT)

The Board has embraced a Digital Transformation Programme aimed at bringing excellence in technology to Kenya Airways by leveraging the power of modern digital & innovative solutions to drive new business paradigms, delight our customers, enable operational excellence and drive value for our people, our business partners and our shareholders. There is a renewed focus on cybersecurity to establish resilience. There is also a focus on improved integration to deliver flexibility and performance. Management has implemented a Technology Steering Committee that inter alia reviews the technology requirements of the business and further prioritise on IT solutions required to be deployed in this regard.

Procurement

The objective of the Company's procurement policy is to deliver the best possible value for money and spend optimization for the Company's procurement requirements through the use of professional procurement practices aligned with the Company's corporate objectives.

The procurement policy is set out to provide uniformity, inclusivity, fairness, professionalism, honesty and transparency in the management of procurement activities within the context of Corporate Policies, with the key aim of obtaining value for money. The Policy aims at optimizing supply chain efficiency, effectiveness and enhanced supplier relationships by designing supply frameworks, rationalizing the supplier base, and developing long term strategic partnerships with competent, like minded suppliers. Integrity remains the gate to conducting business with Kenya Airways.

Stakeholder Management

The reputation of the Company is a key focus for the Board. The Communications & Public Affairs Department plays a key role in how the public (shareholders, customers, suppliers, investors and the general public), as well as staff, perceive the Company. The Department manages the Company's reputation and ensures that the demands of the ever-changing business and regulatory environments are taken into consideration in decision-making.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Stakeholder Management (Continued)

The Board is responsible for guiding the strategic direction for communication strategies across the Company and the department is responsible for implementing these.

An engagement strategy targeting key stakeholders including media and internal staff to improve the public's appreciation and to increase confidence in the Company has been developed. Underpinning this strategy is the building of internal capacity for content development, development of new, and alignment of existing digital communication solutions and processes, enabling greater control of the Company's reputation.

Reports of the Committees of the Board

Report of the Audit and Risk Committee

Current Membership

Dr. Haron Sirima	Member
Major General (Rtd) Michael Gichangi	Member
Ms. Caroline Armstrong	Member
Mr. John Wilson	Member
Ms. Mary Githiaka Ngige	Ex-Officio
Mr. David Kabeberi	Member

Audit & Risk Committee Meetings in FY 2022

During the year, four meetings were held, and the attendance by the members was as follows:

Mr. John Ngumi	2/4
Dr. Haron Sirima	3/4
Ms. Caroline Armstrong	4/4
Mr. John Wilson	3/4
Major Gen (Rtd) Michael Gichangi	4/4
Ms. Mary Githiaka Ngige (Ex-Officio)	4/4
Mr. David Kabeberi (Ex-Officio)	0/4*

* Appointed to the Committee w.e.f. 23rd August 2022.

Mandate and role of the Audit and Risk Committee

The mandate of the Audit and Risk Committee of the Board is set out in the Board Charter.

The Committee is established to assist the Board in the effective discharge of its oversight responsibilities over:

• *Financial reporting and related internal controls*

The Committee is responsible for ensuring that adequate systems and processes of accountability are in place; including the necessary internal control systems required to provide assurance over the integrity and timeliness of financial reporting.

The Committee also reviews management accounts of the Group on a quarterly basis and financial statements at least twice during the year. This includes review of the management letter from the independent auditor. The Committee also oversees the consistent application of Group Accounting policies and ensures alignment of these to the International Financial Reporting Standards (IFRS).

• *Risk management*

The Committee is responsible for ensuring that the Group has an effective process of identifying, assessing, and evaluating, managing, and monitoring and reporting significant risks.

• *Internal audit*

The Committee is responsible for monitoring and reviewing the performance and effectiveness of the Group's internal audit function, ensuring that the function is adequately resourced and equipped with the necessary tools. The Committee approves the internal audit plan annually and reviews all significant findings from audit reviews.

• *Independent auditor*

The Committee is responsible for monitoring and reviewing the performance of the independent auditor, evaluating their independence and objectivity, recommending their appointment or change and approving the level of audit fees payable to them. Being the point of liaison between the independent auditor and the Board, the committee is also responsible for managing relationships.

• *Ethics and Compliance*

The Committee is responsible for monitoring compliance with the Group's Business Code of Conduct. This also entails ensuring that an effective whistle blowing mechanism aimed at encouraging stakeholders to report matters that would be helpful in enforcing good governance practices within the Company.

Key activities in FY 2022

During the year, the Audit & Risk Committee focused on reviewing the financial performance of the Group as it embarked on a recovery path following the Covid-19 global pandemic that severely affected business operations. As part of its ERM obligations, the Committee reviewed plans that management was implementing to mitigate against the significant risks, including the financial sustainability of the Group. Other areas of focus included oversight over the Group's internal control systems and review of the reports by the External Auditor, PwC.

Looking forward

The Audit and Risk Committee will continue to oversight the implementation of the strategic initiatives geared towards recovery and sustainability. In addition, the Committee will focus on ensuring that an effective risk management process and a strong internal control system are maintained.

Mr. John Ngumi

Chair - Audit and Risk Committee

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Report of the Corporate Governance and Nominations Committee

Current Membership

Mr. Michael Joseph	- Chair
Mr. Allan Kilavuka	- Group Managing Director/CEO
Major General (Rtd) Michael Gichangi	- Member
Mr. Philip Wambugu	- Member

In compliance with the Code, the Chair of the Committee is an independent non-executive board member. One other member of the Committee is an independent non-executive director, while the rest of the members other than the Chief Executive Officer are non-executive board members.

Mandate

The Committee has the mandate to oversee and monitor the Company's Corporate Governance policies, practices and guidelines and to establish transparent policies and processes for the identification of suitable candidates for nomination and election or re-election as Directors of the Company.

Corporate Governance and Nominations Committee Meetings in FY 2022

During the year under review, the Committee held six meetings with very good attendance as shown below:

Mr. Michael Joseph	- 4/4
Mr. Allan Kilavuka	- 4/4
Major General (Rtd.) Michael Gichangi	- 4/4
Mr. Philip Wambugu	- 4/4
Mrs. Esther Koimett	- 2/4*

* Mrs. Koimett retired at the Company's Annual General meeting held on 8th July 2022, hence the fewer meetings attended.

The following achievements were realised, among others:

- Tracked the implementation of the observations from the 2021 Governance Audit of the Company's operations and assessed the Company's corporate governance practices against the Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities;
- Tracked the implementation and closure of observations made from the 2021 evaluation of the Board and its committees;
- Assessed and facilitated review by the Board of the composition of Board Committees and subsidiary Boards based on director's skills and competencies;

- Facilitated the appointment of Mr. Angus John Clarke to the Board to fill the commercial airline skills and competence gap but he had to resign late in the year following his appointment as the Chief Commercial Officer of Air France-KLM Group.
- Facilitated co-option of Mr. David Kabeberi by the Board to the Audit & Risk Committee due to his qualifications in audit and accounting, to address the skills and competence gap in order to comply with the stipulations Capital Markets Authority's Code of Corporate Governance Practices for Issuers of Securities, pending substantive appointment of a qualifying director; Mr. Kabeberi takes over the ex-officio membership of Ms. Mary Ngige who is a substantive director of Jambojet, a subsidiary of the Company.
- Assessed and recommended to the Board and shareholders the election of three directors at the Annual General Meeting;
- Ensured the assessment of independence for the Independent Non-Executive Board members;
- Ensured the annual declaration of conflict of interest for Board members;
- Developed and facilitated approval of the annual Board meetings calendar and Work Plan.

Looking forward

The Committee is committed to continue driving the Corporate Governance agenda of the Company, and in this regard, it shall continue to evaluate and benchmark the Company's operations against best practice with a view to adopting best standards that will further the business objectives of the Company and ensure stakeholder value is delivered.

Mr. Michael Joseph Chair - Corporate Governance and Nominations Committee

Report of the Strategy and Business Development Committee

Current Membership:

Maj. Gen. (Rtd) Michael Gichangi	- Chairman
Ms. Caroline Armstrong	- Member
Mr. Philip Wambugu	- Member
Mr. Mohamed Daghar (P.S. Transport)	- Member
Dr. Haron Sirima	- Member
Mr. Christopher Buckley	- Member

The Group Managing Director and Chief Executive Officer, the Chief Finance Officer, and the Chief Commercial and Customer Officer are permanent invitees to the Strategy and Business Development Committee.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Report of the Strategy and Business Development Committee (Continued)

Current Management (Continued)

All the Committee members are Non-Executive Directors, with two of them being Independent Non-Executive Directors. There is extensive professional knowledge and experience in strategy and business development amongst the members of the committee.

Attendance of meetings for FY 2022

Maj. Gen. (Rtd) Michael Gichangi	- 6/6
Ms. Caroline Armstrong-Ogwapit	- 6/6
Dr. Haron Sirima	- 2/6
Mr. John Ngumi	- 5/6
Mr. Philip Wambugu	- 6/6
Dr. Eng. Joseph Njoroge (P.S. Transport)	- 4/6*
Mr. Angus Clarke	- 4/6 **

* Incorporates meetings attended by Mr. Nicholas Bodo the Alternate to P.S. Transport (the new P.S. Transport Mohamed Daghar was appointed in November 2022).

** Resigned from the Committee w.e.f. November 2022

Mandate

The mandate of the Strategy and Business Development Committee is to:

- i) Advise the Board on the main strategic priorities of the Company;
- ii) Review the execution of the commercial and operational strategy;
- iii) Review the plan and budget and recommend its approval to the Board;
- iv) Review and give opinions on major investments, divestments, and external growth; acquisition and disposal of assets; and
- v) Carry out any other business directed by the Board and relevant to the mandate of the Committee.

The Committee held six (6) meetings this Financial Year.

Achievements during the Year under Review:

- i) Reviewed and provided guidance on the engagement of Seabury consultants in the restructuring plan for the Company;
- ii) Strengthened the strategic planning process by offering guidance and reviews of objectives, performance indicators, initiatives and actions that improve operational results which included cost optimization initiatives;
- iii) Offered support and guidance to Management during the crisis occasioned by the unlawful pilots' strike;
- iv) Facilitated and reviewed the Company's 5-year fleet strategy plan.
- v) Reviewed and guided the Company's Cargo Strategy despite the dire capacity and operational constraints, and lobbied for the renewed quest to acquire two B737-800F freighters on lease terms;
- vi) Guided negotiations with lessors from grounding actions to legal remedies, fleet extensions and favourable aircraft lease restructures;
- vii) Provided support to Management in developing strong partnerships (with SAA, AF/KLM, Delta and

Africa World Alliance among others) that will foster reciprocal growth. The Committee also supported the conceptualization of the Pan African Airline Group (PAAG);

viii) Guided the efforts, publicity and growth of the Fahari Aviation Limited.

ix) Provided support to Management as a bridge to the Government of Kenya and other agencies through member lobbying to secure financing, towards ensuring the Company's sustainability in the long-term, minimize unfair competition, reduce capacity dumping by rival airlines, and influence favourable joint government strategies & policies that are geared towards improving the aviation industry;

Looking Forward

The Committee will continue to ensure that the airline is focused on delivering its 2023 strategy and work plans. This will be accomplished through keen evaluation of the delivery of key performance outcomes and implementing the necessary controls. In the next financial year, the Committee will aim to drive the business to achieve its strategic objectives of breaking even, becoming the preferred African airline and obtaining the employer of choice status.

Additionally, the Committee will focus on driving accountability and ownership while providing guidance on how best to achieve the FY2022/27 Five-Year Plan which is focused on charting a sustainable and secure future for the Company while building a brand that is loved by both customers and employees.

Maj. Gen. (Rtd) Michael Gichangi
Chair - Strategy and Business Development Committee

Report of the Human Resources Committee

Current Membership

Ms. Caroline Armstrong	- Chairperson
Mr. Allan Kilavuka	- Member
Mr. John Wilson	- Member
Mr. Mohamed Daghar (PS, Transport)	- Member
Mr. Christopher Buckley	- Member

Mandate

The Human Resources Committee is the committee of the Board mandated to enable and oversee the management of the human capital and culture for the Group. The overarching responsibility is to ensure that the Group provides an enabling environment for both the employees and the Company to thrive through a positive employee experience; transparent and enabling processes and policies; inspiring leadership; and a high-performance culture to deliver on the Group's strategic aspirations.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Report of the Human Resources Committee (Continued)

Mandate (Continued)

The Committee is empowered to:

- Ensure the Company has in place and implements the strategic Human Resources objectives.
- Continually review Human Resources management policies and programs of the Company to ensure they are supportive of the strategy, up-to-date and appropriate.
- Identify and recommend the implementation of best practices on People and Culture.

Attendance of meetings for FY 2022

During the year under review, the Committee held four (4) meetings with attendance as shown below:

Ms. Caroline Armstrong	- 4/4
Mr. Allan Kilavuka	- 4/4
Mr. John Wilson	- 3/4
Ms. Esther Koimett*	- 1/4
Mr. Angus Clarke**	- 0/4
Dr. Eng. Joseph Njoroge (PS, Transport) ***	- 4/4

* Mrs. Koimett retired at the Company's Annual General Meeting held on 8th July 2022, hence the fewer meetings attended.

** Mr. Clarke was appointed to the Board in March 2022 and resigned in November 2022

*** Incorporates meetings attended by Mr. Nicholas Bodo the Alternate to P.S. Transport. The new P.S. Transport Mohamed Daghar was appointed in November 2022

The People@KQ

In 2022, Kenya Airways staff continued to deliver on its ambitious transformation journey, anchored on three thematic strategic theme - to be an employer of choice by 2024; to be Africa's preferred airline by 2024; and to break-even by 2024. All efforts put together, we have grown our revenues and demonstrated our resilience on our cost discipline each year since the pre-covid year 2019. This was enabled by the commitment, skills and capabilities of our people serving our guests, and providing memorable experiences every day.

We are proud of our people and how they have continued to impact on the success of our airline. In 2020/21, the pandemic was not only the catalyst for rethinking our ways of work, but also showed the resilience our people had to overcome the challenges of the pandemic. In 2022 we continued with the same tempo and remain committed to creating a positive and productive environment where people are enabled to perform their best and are healthy, resilient, and happy at work. Our people strategy is designed along 5 pillars that guide us in our people practices:

- A. Optimized workforce (Organization design): Putting the right talent in the right roles at the right time.
- B. Optimized Productivity: pushing our limits on performance and our overall efficiency.
- C. Optimized Talent Management & Development: where we develop our talent & leaders for now and the future; and building them to develop employees who are inspired, empowered and role model the right behaviors.
- D. Culture & Engagement: our "Re-ignite" culture that will drive our behaviours, deliver on the spirit of the Kenya Airways employee and the customer experience.

- E. Human Resource Excellence: Strengthening our people processes to be more accountable, clear, and transparent.

Key achievements in 2022 included:-

HR Partnering

Development and roll-out the Talent Management and succession Planning framework, Revamped the Performance management and Productivity framework, revised organization structures, designed Organization structures and rolled-out coaching for performance to Line managers & employees.

Development and Implementation of i-Recruitment:

Automation of the recruitment process. Launch of i-Recruitment system that was launched on 1st December 2022 and has facilitated streamlining of job posting and approvals as well as receiving and sorting of applications.

Talent Awards:

Kenya Airways has been recognized as one of the Best Employer Brand - Sub-Saharan Africa in the Talent Awards organized by LinkedIn in 2022.

Integration of Ethics & Integrity in the onboarding process:

- In support of our values surrounding integrity, the Talent function was able to enhance and accommodate an expanded presentation on the topic of Ethics & Integrity in the onboarding & induction program.
- Revised organization structures and rolled-out coaching for performance to Line managers & employees.
- With increase socialization of the KQ Employee Wellness Program, there was an increased EAP uptake to 4.8 % from 3.6% (against global rates of 6%). Over 3000 staff have attended various sessions on financial and mental wellbeing through seminars and counselling support.
- As part of the Re-ignite Journey, the Pink Women's Breakfast attended by over 100 Kenya and international stations was successfully held to create awareness on Breast Cancer
- Employee Engagement Phase 2 of the Re-ignite agenda was launched with squads trained to drive the culture agenda at the workplace.
- Revamped the Performance management and Productivity framework.
- Successful relaunch buddy pass program played a big role in enhancement of our Employer Value Proposition considering the limited benefits in our disposal due to financial constraints. In addition, the program realized over USD 80,000 in registration fees and an increase in load factor during low season.
- HR Employee Service Experience. We achieved an average satisfaction index of 85.5% from the three surveys conducted through the year that measures quality and timelines of HR solutions on all the services offered in HR.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Report of the Strategy and Business Development Committee (Continued)

- Deferred payments - With the uncertainty on availability of funds to pay differed amounts, we managed employee expectations and social partners' expectations through structured communication to ensure staff engagement is not compromised.
- Dangerous Goods Regulations Competency Based Training & Assessment Centre of Excellence Accreditation - 1st in Africa and 7th in the world.
- Graduated 36 managers in the Manager Excellence Program (Formerly Manager 101)
- Graduated 25 leaders in the Leadership Fundamentals Program offered by Boeing Global Leadership Institute All Execom team except 1 underwent Leadership, Future and Culture training at GE Crotonville

Re-Ignite

- Introduced KQ monthly markets offering subsidized prices on basic commodities.
- Automated IPride to share work anniversaries and birthday messages which are sent to staff.
- QTR1,2,3 Departmental Reward and Recognition Awards
- Long service Awards for 2022

Staff engagement

- Staff engagements/feedback forums - Kisumu, Mombasa, Ghana, Burundi, OCC, and Nigeria

Disciplinary

- Handled 168 disciplinary cases and closed 142 representing 85% closure rate.
- 42 separations and 100 other applicable actions
- Expanded the panel chairing capability by training 30 managers.

Union Engagement

- Management of the labour dispute with KALPA
- Court Arbitration
- Ministry of labor led Conciliation.
- KALPA meetings - 8
- KAWU meeting - 5
- GPCWU meetings - 3
- NUATE meetings - 2

2023 Onwards

The Management and the Board remain wholly focused on the Company's recovery journey (The "Re-ignite" transformation journey). This Committee will support this by providing oversight over matters of human capital within the Company to ensure that there is an empowered, motivated and productive workforce.

Key to this will be to enable the business to provide the business with tools, frameworks and capability that will effectively elevate our workforce productivity. By effectively delivering on this, the airline will play a vital role in achieving transformational goals and embed capacity in supporting our teams and leaders in performing their daily tasks at optimum levels.

As our business continues to evolve, so too does the talent that we need to attract to achieve our future picture of success. At the same time, as we continue to adjust to the new world of work, our current and potential employees have new priorities. Anchored on our vision to be an employer of choice by 2024, our Employer Brand perspectives will change in line with our ambitions. We will communicate and demonstrate how we are changing from a people, role responsibilities and working environment perspective; and build our workplace to be the greatest place to be.

Developing our leaders has always been a key focus at Kenya Airways. Our Leadership development framework clearly outlines the airline's view on the capabilities which underpin effective leadership. Our leaders will be continuously developed to enable them to apply their capabilities in disruptive and changing environments. They will also be built to manage, and create an environment that supports continuous learning, is adaptive and inclusive. We will lay the platform to foster change and innovation across the business and enable our staff create memorable moments for our guests.

On the Industrial and Employee relations front, we will foster positive associations with our social partners (unions) and co-create a compelling value proposition aimed at driving harmonious work environments. We will be inclusive in approach, and engage all other stakeholders including state labour offices, and regulatory bodies. Where required, we will accommodate conciliation and Alternative Dispute Resolution (ADR) on industrial relations matters. The above is underpinned our "Re-ignite" cultural transformation driven by the Company's values and behaviors to deliver on the strategic mandate for 2023 and beyond.

For our employees who have consistently demonstrated high performance and are recognized as future potential leaders, we will roll out several talent acceleration programs that have been designed to develop them both professionally and personally, to advance their careers, and to accelerate their readiness to take on bigger and broader roles in the future. We commit to deliver on our career management and succession planning initiatives.

We will continue with our journey to embed diversity and inclusion in our culture and people practices. Our initiatives will include supporting the advancement of women and members of staff differently enabled through targeted outreach to attract, hire, and develop to enhance career planning, leadership development, and senior leader sponsorship.

We look forward to a year of collaboration with all our staff and stakeholders as we work together to deliver success for the Company and each other.

Ms. Caroline Armstrong
Chair - Human Resources Committee



*Africa's leading
airline according to
World Travel Awards.*



WTA



*Propelling Kenya Airways
to new heights of success.*



Innovation Hub

FINANCIAL HIGHLIGHTS

Group results

Turnover (KShs Million)	Operating Loss (KShs Million)	Loss before Tax (KShs Million)
Dec-22 116,787	Dec-22 (5,616)	Dec-22 (38,315)
Dec-21 70,221	Dec-21 (6,803)	Dec-21 (16,028)
Dec-21	Dec-21	Dec-21
Net Loss (KShs Million)	Capital & Reserves (KShs Million)	Loss per Share (KShs Million)
Dec-22 (38,264)	Dec-22 (108,090)	Dec-22 (6.57)
Dec-21 (15,878)	Dec-21 (83,337)	Dec-21 (2.73)
Dec-21	Dec-21	Dec-21

Key Financial Statistics

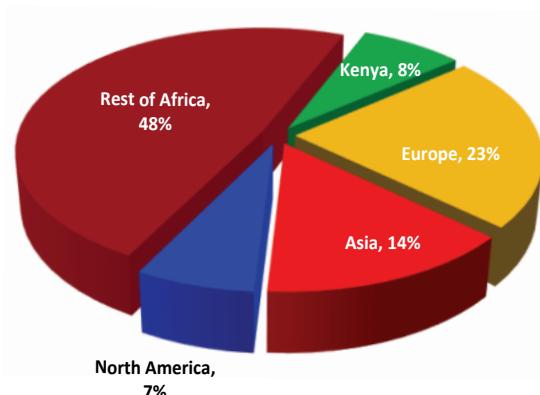
Debt to Equity	Operating Margin (%)
Dec-22 (1.3)	Dec-22 (4.8)
Dec-21 (1.3)	Dec-21 (9.7)
Dec-21	Dec-21
Interest Cover	EBITDAR Margin (%)
Dec-22 (2.7)	Dec-22 (11)
Dec-21 (1.02)	Dec-21 13
Dec-21	Dec-21

Operating Statistics

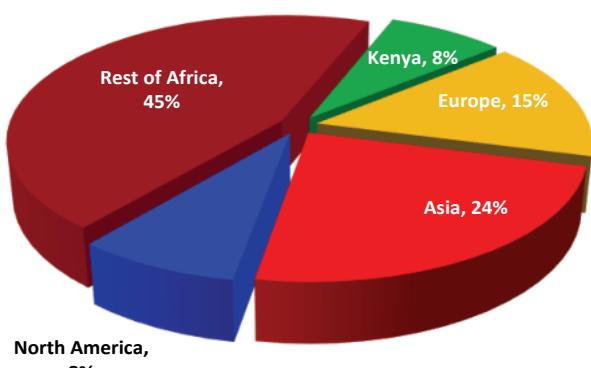
Passengers Carried	Available Seats KM (millions)	Revenue Passengers KM (millions)
Dec-22 3,731,956	Dec-22 10,302	Dec-22 7,672
Dec-21 2,219,772	Dec-21 5,900	Dec-21 3,589
Dec-21	Dec-21	Dec-21
Cabin Factor (%)	Cargo Uplifted (Tonnes)	
Dec-22 74.5	Dec-22 65,955	
Dec-21 60.8	Dec-21 63,726	
Dec-21	Dec-21	

Turnover by Region

2022



2021



THREE YEAR SUMMARY OF FINANCIAL HIGHLIGHTS

Financial Highlights

The Group	Dec-22 KShs. Million	US\$ Million	Dec-21 KShs. Million	US\$ Million	Dec-20 KShs. Million	US\$ Million
Turnover						
Passenger	88,851	755.8	46,538	425.1	33,705	317.9
Freight & Mail	13,897	118.2	13,433	122.7	9,012	85.0
Handling	1,991	16.9	1,721	15.7	1,527	14.4
Other	12,047	102.5	8,528	77.9	8,562	80.8
Total	116,787	993.5	70,221	641.4	52,805	498.1
Direct Expenditure	(79,763)	(678.5)	(41,155)	(375.9)	(30,962)	(292.0)
Fleet Ownership Costs	(17,645)	(150.1)	(16,637)	(152.0)	(28,571)	(269.5)
Overheads	(24,995)	(212.6)	(19,232)	(175.7)	(20,394)	(192.4)
				0.0		0.0
Operating Profit (Loss)	(5,616)	(47.7)	(6,803)	(62.1)	(27,122)	(255.8)
Operating Margin%	(4.8%)		(9.7%)		(51.4%)	
Net Finance Costs	(32,460)	(276.1)	(8,985)	(82.1)	(9,178)	(86.6)
Other Costs	(239)	(2.0)	(240)	(2.2)	(273)	(2.6)
Share of results of Associates	-		-		-	
Loss before tax	(38,315)	(325.8)	(16,028)	(146.4)	(36,573)	(345.0)
Income tax credit / (expense)	51	0.4	150	1.4	354	3.3
Loss for the year	(38,264)	(325.4)	(15,878)	(145.0)	(36,219)	(341.6)
Loss after Tax margin%	(32.8%)		(22.6%)		(68.6%)	

Operating Statistics

	Dec-22	Dec-21	Dec-20
Passengers	3,731,956	2,219,772	1,771,151
RPK's (Millions)	7,672	3,589	3,457
ASK's (Millions)	10,302	5,900	5,292
Passenger Load Factor (%)	74.5	60.8	65.3
Cargo Tonnes	65,955	63,726	49,419
Exchange Rate	117.56	109.48	106.01
Employees			
Airline	3,825	3,544	3,652
Group	4,230	3,716	3,821

Aircraft in Service at Year End

Boeing 787-8	9	9	9
Boeing 737-800	8	8	8
Boeing 737-700	0	0	2
Embraer 190	13	15	15
B737-300 Freighter	2	2	2
Bombardier Dash 8-400	7	6	6
Total	39	40	42

Dormant

Boeing 737-300	1	1	1
Total	1		

Leased/Sub-leased

Boeing 777-300	3	3	3
Total	3		

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated and company financial statements of Kenya Airways Plc ("Kenya Airways" or the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2022, in accordance with Section 653(1) of the Kenyan Companies Act, 2015, which discloses the state of their financial affairs.

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 and international flights and flies to 42 destinations in Africa, Middle East, Asia, Europe and North America.

As at 31 December 2022, the Group operated 39 aircraft, either owned or on lease. These comprised nine Boeing 787 wide body jets, eight Boeing 737 narrow body jets, thirteen Embraer regional jets, two Boeing 737 freighters and seven Bombardier Dash 8-400.

RESULTS

The Group's and Company's loss for the year ended 31 December 2022 is KShs 38,264 million (2021: KShs 15,878 million) and KShs 37,050 million (KShs 14,284 million) respectively. The Group's and Company's results for the year ended 31 December 2022 are set out in the respective statements of profit or loss and other comprehensive income on pages 69-70 and 71 respectively.

DIVIDENDS

The Directors do not recommend payment of dividends in respect of the current financial year (2021: Nil).

DIRECTORS

The Directors who held office during the year and to the date of this report are as shown on page 4.

BUSINESS OVERVIEW

Our Values

- Safety - we shall always consider safety as a number one priority, for our people and guests;
- Customer first - we shall always anticipate and deliver to the needs of those we serve - our guests;
- Respect - we shall always show respect to everyone we meet;
- Integrity - we shall always act with integrity;
- Passion - we shall always inspire passion in our people to create quality solutions; and
- Trust - we build trust in our daily relationships.

Vision

Be the Pride of Africa, by inspiring our people and delighting our guests consistently.

Mission

To maximize stakeholder value by consistently:

- Providing highest levels of customer satisfaction;
- Upholding the highest level of safety and security;
- Maximizing employee satisfaction; and
- Whilst being committed to corporate and social responsibility.

Strategic Objective

Contributing to the sustainable development of Africa.

Summary

The recovery in operations continues to progress as Kenya Airways remains flexible to offer the right product to its customers.

The Board of Kenya Airways PLC is announcing the 2022 financial results which show the following:

- An operating loss margin of 4.8% for the financial year ended 2022 compared to 9.7% in the previous year ended 2021.
- A net loss before tax margin of 32.8% from 22.6% in prior year.

Capacity and traffic

The year saw a marked increase in capacity deployed in the market. The Group's capacity measured in terms of Available Seat Kilometres (ASK) increased by 74.6% closing at 10,302 million compared to 5,900 million in the previous year.

The uptake of this capacity measured in terms of Revenue Passenger Kilometres (RPK) closed at 7,672 million compared to 3,589 million representing an increase of 113.7%.

Turnover

The Group's and Company's turnover closed at KShs 116,787 million and KShs 107,899 million respectively against KShs 70,221 million for the Group and KShs 64,191 million for the Company for the year ended 31 December 2021. The revenue gain was largely due to the increase in operations in the year 2022.

Cargo Operations

Cargo tonnage on both passenger belly and freighter aircraft increased by 3.5% closing at 65,955 tonnes against prior year which closed at 63,726 tonnes. The use of converted passenger aircraft (Freighters) has ceased and the aircraft returned to full time passenger operations. The cargo business continues to focus on boosting the cargo product across the network.

REPORT OF THE DIRECTORS (Continued)

Business Overview (Continued)

Operating Costs

The total direct operating costs amounted to KShs 79,763 million for year ended 31 December 2022 at Group level and KShs 74,901 million at Company level as compared to KShs 41,155 million at Group level and KShs. 37,928 million at Company level for the year ended 31 December 2021.

Global fuel prices were on an upward trend throughout the year while other direct operating costs increased in-line with the increase in operations. The overall increase in fuel prices year on year closed in at 42.4%.

Fleet ownership costs at Group level amounted to KShs 17,645 million and KShs 16,088 million for the Company for the year ended 31 December 2022 as compared to KShs 16,637 million at Group level and KShs. 15,054 million at Company level for the year ended 31 December 2021.

Other Operating Costs (Overheads)

The Group's and Company's overheads amounted to KShs 24,995 million and KShs 21,630 million respectively for the year ended 31 December 2022 as compared to KShs 19,232 million at Group level and KShs 16,618 million at Company level for the year ended 31 December 2021.

Employee statistics

The tables below summarise the number and composition of company employees in terms of gender:

i) Categorisation by employment contract

	2022	2021
Permanent	2,625	2,634
Contracted	1,200	910
Total	3,825	3,544

ii) Categorisation by gender

	2022		2021	
	Male	Female	Male	Female
Senior leadership	89%	11%	82%	18%
Head of Departments	65%	35%	68%	32%
Senior managers	67%	33%	65%	35%
Others	58%	42%	60%	40%
Overall	58%	42%	60%	40%

Significant risks and mitigating actions

REPORT OF THE DIRECTORS (Continued)

The Group is exposed to risks that may impact the achievement of its core objectives. There is an Enterprise Risk Management (ERM) process that is aimed at proactively identifying and managing these risks. The process also entails periodic reporting to the Audit and Risk Committee.

The table below summarizes the significant risks faced by the Group:

	Risk	Description	Mitigating actions
1.	Financial risk	Inability to service financial obligations as and when they fall due occasioned by the liquidity position of the company, credit risk & foreign exchange volatility.	<ul style="list-style-type: none"> a) Engagement with the Government of Kenya for financial support. b) Re negotiation of terms with key creditors. c) Implementation of the Kenya Airways Transformation program aimed at optimizing structures, staffing resources and productivity to the business operating Model. d) Negotiation for foreign allocations with different countries. e) Foreign exchange swap arrangements with different airlines. f) Locking purchase of economy class seats for passengers in countries experiencing USD shortages to local currency.
2.	Volatility in fuel prices	Fluctuations in the fuel prices driven by global crude oil prices	<ul style="list-style-type: none"> a) Fuel surcharge on ticket prices. b) Competitive sourcing of fuel suppliers. c) Fuel hedging arrangements.
3.	Misappropriation of Assets	Misappropriation or misuse of assets belonging to the Group by staff and external parties.	<ul style="list-style-type: none"> a) Implementation of Act right, speak up campaigns. b) Increased monitoring of controls in areas that are prone to fraud. c) Application of the consequence management process. d) Increased awareness on the whistleblowing mechanisms in place for staff & third parties to use. e) Creation of an ethics and integrity office to enhance efforts on ethics & integrity culture. f) Forensic investigations.
4.	Competition	Potential for actions of other players in the market to negatively impact the business - erosion of market share, revenues etc.	<ul style="list-style-type: none"> a) Pursuing strategic partnerships with other airlines that will stimulate sales and seamless service for both passenger and cargo business. b) Continued focus on customer centricity. Renewed focus on improving customer experience at all touch points.
5.	IT and cyber security risk	Vulnerable legacy IT infrastructure and increased targeted attacks to IT systems globally.	<ul style="list-style-type: none"> a) Increased focus on IT controls. b) Review of the current ICT infrastructure with the aim of attaining optimization of systems across the organization. c) Vulnerability assessment and effective patch management for critical systems.

REPORT OF THE DIRECTORS (Continued)

Significant risks and mitigating actions (Continued)

Risk	Description	Mitigating actions
6.	People risk	<p>All risks affecting human resources working in the organization.</p> <ul style="list-style-type: none"> a) Succession planning and development of talent pipeline. b) Continuously seeking alternative opportunities to shoulder staff from high cost of living in the absence of a financial incentive scheme. c) Continuous engagement and relationship management with social partners. d) Implementation of a culture change program (re-ignite program). e) There are plans to stratify the employee value proposition based on the age bracket -aimed at attracting and retaining talent.
7.	Geopolitical risk	<p>Possible negative impact on the operations of the company because of political changes or instability affecting our markets.</p> <ul style="list-style-type: none"> a) Strategic engagement with the Kenyan administration. b) Active monitoring of political developments across different markets. c) Continuous identification of cost saving initiatives that will lead to reduction of the cost base. This will make it possible to price competitively in the market.
8.	Airline safety risk	<p>Occurrence of incidents and accidents or violations to safety guidelines and protocols.</p> <ul style="list-style-type: none"> a) A compliance monitoring framework for safety regulations is in place - ICAO, KCAA. Internal policies and procedures are developed based on these regulations. b) Strict adherence to Standard Operating Procedures and consequence management to non-compliance. c) Regular Safety Management System training and awareness to keep employees up to date on safety policies and procedures. d) Proper and timely safety incident management processes in place.
9.	Legal & Compliance Risk	<p>Exposure to legal penalties, financial forfeiture and material loss as a result of failure to act in accordance with, statutory laws, regulations or internal policies</p> <ul style="list-style-type: none"> a) Established mechanism to ensure compliance and continuous monitoring of all compliance aspects across the organization.
10.	Security risk	<p>Occurrence of incidences that threaten the security of our customers and employees or result into damage of assets.</p> <ul style="list-style-type: none"> a) Mandatory and regular aviation security(AVSEC) training and certification for all staff. b) Continuous security risk assessment and prompt resolution of gaps identified. c) Strict adherence to security policies and procedures d) Close collaboration with relevant security authorities

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP, having expressed their willingness, will be in office in accordance with the provisions of section 721(2) of the Kenyan Companies Act, 2015. The Directors monitor the effectiveness, objectivity and independence of the auditor. The Directors also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD



Habil A. Waswani
Secretary

27 March 2023

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

Chairman's statement

The Directors remuneration policy sets out the guidelines that the Group have applied to remunerate its Executive and Non-Executive Directors. The Directors remuneration report has been prepared in accordance with the relevant provisions of the Capital Markets Authority (CMA) code of Corporate Governance and the requirements of the Kenyan Companies Act, 2015.

The Group's Corporate Governance and Nominations committee ("the committee") of the Board is responsible for overseeing and monitoring the Group's corporate governance policies, practices and guidelines.

The Committee is mandated to review the remuneration of the Directors to ensure that the same is competitive and aligned with the business strategy and long-term objectives of the Group.

During the period under review, no Director had entitlement to share options arrangements or other long-term incentives.

The Directors' remuneration policy at a glance is set out below:

Executive Directors

The Executive Director is remunerated in accordance with the staff remuneration policy. His remuneration package comprises a base salary, pension/gratuity and other benefits designed to recognise the skills and experience of an Executive Director.

Non-Executive Directors

In recognition of their contribution to the Company, Non-Executive Directors receive fees as well as sitting allowances for Board and Committee meetings. The fees are approved by Shareholders at Annual General Meetings and are payable on a monthly basis. The Non-Executive Directors are not covered by the Group's incentive programs and do not receive performance-based remuneration. No pension contributions are payable on their fees.

Travel and related expenses

The Group reimburses travel and accommodation expenses related to attendance of Board meetings for Non-Executive Board members who are not Kenyan residents. There is a travel policy for Non-Executive Directors.

Implementation report

During the year under review, there was no arrangement to which the Group was a party where Directors acquired benefits by means of transactions in the Group's shares outside the applicable law. The Group has a strict insider trading policy to which the Directors and senior management must adhere to. There were no Directors' loans at any time during the year.

Directors' Contract of Service

The tenures of the Directors in office at the end of the financial year under review are tabulated below:

Director	Date of Appointment	Retirement through rotation date	Notice Period
Mr. Michael Joseph	2016	2025	N/A
Ms. Caroline Armstrong	2014	2023	N/A
Major Gen (Rtd) Michael Gichangi	2017	2024	N/A
Mr. John Ngumi	2019	2023	N/A
PS Transport Mr. Mohamed Daghar	2022	2023	N/A
CS Treasury (Dr. Haron Sirima)	2019	2023	N/A
Mr. Philip Wambugu	2021	2024	N/A
Mr. John Wilson	2021	2024	N/A

DIRECTORS' REMUNERATION REPORT (Continued)

INFORMATION SUBJECT TO AUDIT

At the previous Annual General Meeting (AGM) shareholders voted for the adoption of the Directors remuneration through proposal and secondment on the floor of the AGM.

The results of the election were as follows:

Vote	Number of ballots	Total shares	Percentage of total votes cast
Against	23	430,632	0.01%
For	214	5,520,118,766	99.99%
Abstain	23	140,729	0.00%
	260	5,520,690,127	100.00%

The remuneration of all Directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate.

The remuneration paid to Directors in the period under review and the prior year is summarised in the table below:

31 December 2022

	Salary and benefits KShs 000	Allowances KShs 000	Fees KShs 000	Value of non-cash benefits KShs 000	Total KShs 000
BOD members					
Mr. Michael Joseph	-	-	18,000	-	18,000
Mr. Allan Kilavuka *	54,000	-	-	393	54,393
Ms. Caroline Armstrong	-	655	527	-	1,182
Principal Secretary-National Treasury	-	-	527	-	526
Principal Secretary-Transport	-	-	1,053	-	1,053
Mrs Esther Koimett	-	306	-	-	306
John Wilson Hakan	-	436	527	-	963
Mr. Nicholas Bodo	-	262	-	-	262
Mr. John Ngumi	-	393	527	-	920
Philip Wambugu	-	524	527	-	1,051
Dr. Haron Sirima	-	306	-	-	306
Major Gen (Rtd) Michael Gichangi	-	611	527	-	1,138
Joseph Kibere Njoroge	-	44	-	-	44
Angus Clarke	-	611	279	-	891
	54000	4,148	22,494	393	81,035
BOD Advisors					
Mary Githiaka Ngige	-	44	430	-	474
David Kabeberi	-	-	188	-	188
Total	54,000	4,192	23,112	393	81,697

* The amount is inclusive of an amount not yet paid but held by the company due to deferred pay arrangement.

DIRECTORS' REMUNERATION REPORT (Continued)

Information Subject To Audit (Continued)

31 December 2021

	Salary and benefits KShs 000	Allowances KShs 000	Fees KShs 000	Value of non- cash bene- fits KShs 000	Total KShs 000
Mr. Michael Joseph	-	-	18,000	-	18,000
Mr. Allan Kilavuka **	54,000	-	-	-	54,000
Mr. Jozef Veenstra *	-	-	263	-	263
Ms. Caroline Armstrong	-	-	527	-	527
Principal Secretary-National Treasury	-	-	527	-	527
Principal Secretary-Transport	-	-	1,053	-	1,053
Ms. Carol Musyoka	-	-	263	-	263
John Wilson	-	-	263	-	263
Mrs. Esther Koimett	-	-	-	-	-
Dr. Martin Odour-Otieno	-	-	263	-	263
Mr. Nicholas Bodo	-	-	-	-	-
Mr. Ngumi John	-	-	527	-	527
Philip Wambugu	-	-	263	-	263
Dr. Haron Sirima	-	-	-	-	-
Major Gen (Rtd) Michael Gichangi	-	-	526	-	526
Total	54,000	-	22,475	-	76,475

* Fees and allowances are payable to Koninklijke Luchtvaart Maatschappij (KLM) Royal Dutch Airlines.

** The amount is inclusive of an amount not yet paid but held by the company due to deferred pay arrangement.



Habil A. Waswani
Company Secretary

Nairobi

27 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and of Company as at the end of the financial year and of their profit or loss for that year. It also requires the Directors to ensure that the Group and Company maintain proper accounting records that are sufficient to show and explain the transactions of the Group and of Company and disclose, with reasonable accuracy, their financial position. The Directors are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and error.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. They also accept responsibility for:

- (i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (ii) selecting suitable accounting policies and applying them consistently; and
- (iii) making accounting estimates and judgments that are reasonable in the circumstances.

The directors have assessed the Group and Company's ability to continue as a going concern and disclosed in Note 2(e) of the financial statements matters relating to the use of going concern basis of preparation.

The Directors are aware of the material uncertainty caused by the negative working capital position, the recurring losses and the slow recovery from the Covid-19 pandemic as disclosed in note 2(e). The Directors acknowledge that the continued existence of the Group and the Company as going concern depends on the measures that the Directors will put in place to return the Group and Company to profitable operations as disclosed in Note 2(e) of the financial statements. On the basis of the strategic plans set out in Note 2(e) of the financial statements and the letter of financial support from the Government of Kenya, the Directors believe that the Group and Company will remain a going concern for at least the next twelve months from the date of this report.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 27 March 2023 and signed on its behalf by:



Michael Joseph
Chairman



Allan Kilavuka
Managing Director



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KENYA AIRWAYS PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Kenya Airways Plc (the Company) and its subsidiaries (together, the Group) set out on pages 69 to 156, which comprise the consolidated statement of financial position at 31 December 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2022, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2022 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Material uncertainty related to going concern

We draw your attention to Note 2(e) in the financial statements, which discloses the directors' assessment of the Group's and Company's ability to continue as a going concern and the matters relating to the going concern basis of preparation. As stated in Note 2(e), these events or conditions, along with other matters as set forth in the note indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition <p>As explained in Note 3 (c) of the financial statements, the Group's streams of revenue are subject to different recognition considerations depending on the nature of the underlying contractual arrangements.</p> <p>Passenger tickets sales, net of discounts and taxes are initially recorded as current liabilities in the "Sales in Advance of Carriage" account and recognised as revenue when the ticket is flown or expires.</p> <p>The timing of revenue recognition for expired unused tickets/documents requires judgement due to the timeframe over which revenue documents can be utilised. Management determines the value of unused tickets revenue using a combination of the terms and conditions of the underlying documents and the historical expiry trends..</p> <p>Furthermore, the determination of the amount of revenue to be recognised for each flight requires complex information technology (IT) systems and involves the exchange of information with third party industry systems and other airlines for a high volume of transactions. The accounting for passenger and cargo revenue is, therefore, susceptible to management override of controls through the processing of inappropriate journals in the accounting records, the override of information technology (IT) systems to accelerate revenue recognition, or manipulation of inputs used to calculate revenue recorded in respect of unused revenue documents.</p>	<p>We performed detailed end-to-end walkthroughs of the finance and operational processes surrounding the revenue systems to assess the design effectiveness of the related key internal controls. We tested the operating effectiveness of these key controls to confirm that they operated throughout the year as intended. We also tested the key IT systems, including interfaces that impact the recognition of revenue from passengers along with the IT change control procedures and related application controls.</p> <p>We tested the matching of the flown tickets in the lift files to the passenger flight manifests and re-performed a reconciliation of the total tickets sold, the total revenue recognised (i.e. the total uplifts in the year) including uplifts done by other carriers, the expired tickets recognised in revenue and the sales in advance of carriage (i.e. the unutilised tickets).</p> <p>We tested the age profile of the deferred revenue on ticket sales to confirm compliance with the revenue recognition policy and related judgements.</p> <p>We inspected the manual journals posted to the revenue account for validity and appropriateness.</p> <p>We assessed the adequacy and consistency of the related disclosures in the financial statements in accordance with the requirements of International Financial Reporting Standards.</p>

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KENYA AIRWAYS PLC

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of impairment of aircrafts and right-of-use assets</p> <p>As required by IAS 36: <i>Impairment of assets</i>, the Group performs an annual impairment test to assess the recoverability of the carrying value of its aircraft and an impairment assessment of aircraft and related equipment and the right-of-use (ROU) assets relating to aircraft and related equipment.</p> <p>As disclosed in Note 3w(ii) of the financial statements, the Group uses the higher of fair value less costs to sell and value-in-use calculations to determine the recoverable amount of the cash generating unit.</p> <p>The determination of the recoverable amount requires management judgement in both identifying and then valuing the relevant cash generating units (CGUs) as disclosed in Note 16. Recoverable amounts are based on management's estimate of variables and market conditions such as future ticket prices, exchange rates, growth rates, the timing of future operating expenditure, and the most appropriate discount rate.</p> <p>This is an area of focus because changes in management estimates and judgements could result in material variations in the outcomes of the assessment.</p>	<p>We evaluated and challenged the composition of management cash flow forecasts and the underlying assumptions based on the historical performance of the CGUs, industry-specific reports and the macro-economic outlook for the aviation sector.</p> <p>We tested the appropriateness of the impairment models and the reasonableness of the assumptions by benchmarking the key market-related assumptions in the models, such as discount rates, long term growth rates and foreign exchange rates, against external data.</p> <p>We tested the mathematical accuracy and performed sensitivity analyses of the models.</p> <p>Where an independent valuer was used, we reviewed the valuation reports and assessed the reasonableness and consistent application of assumptions in determining the fair values. We also assessed the competence, capabilities and objectivity of the independent valuers.</p> <p>We assessed the adequacy and appropriateness of the related disclosures in Notes 14 and 16 of the financial statements.</p>



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KENYA AIRWAYS PLC (Continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for cash flows hedges As explained in Note 23 of the financial statements, the Company hedges its foreign currency risk in relation to its borrowings and lease liabilities against forecasted US dollar-denominated future revenue streams. Where the hedge is considered effective, the foreign currency translation losses on borrowings and lease liabilities (hedging instruments) are recognised in other comprehensive income (equity) and recycled to the profit or loss as the hedged items are settled or when the hedge is deemed ineffective. All exchange losses on hedging instruments are charged to the profit or loss where the hedge is assessed be ineffective. The assessment of the effectiveness of the hedge involves a comparison of the estimated highly probable future USD revenue forecasts (hedged item) and the projected repayments of the USD denominated borrowing and lease liabilities (hedging instruments). The estimation of the highly probable future USD revenue forecasts involves significant management assumptions such as the ratio used to allocate "highly probable" USD sales out of the total budgeted sales, future currency exchange rates and the revenue growth rates. Variations in these assumptions could result in significant changes in the effectiveness of the hedge and, consequently, the accounting for the foreign exchange losses on the hedged items.	We reviewed the processes, procedures and controls in respect of treasury and other management functions which directly impact the relevant account balances and transactions. We assessed compliance with the requirements for the accounting for the hedging relationships and checked that it meets the requirements of IFRS 9. We recomputed the year-end valuation of the cash flow hedge reserve and checked the reasonableness of exchange rates used. We checked that the forecasts used by the Company for the assessment of future hedge effectiveness were consistent with board approved forecasts used for other judgements such as impairment assessments. We evaluated the appropriateness of the highly probable criteria as used to determine future USD revenue forecasts by assessing the financial and operational ability of the Company to generate the forecasted sales. We reviewed the computations to test the accuracy and completeness of the inputs into the cash flow hedge computation. We tested key assumptions used in the model including performing a sensitivity analysis. We assessed the adequacy of disclosures in the financial statements.

Other information

The other information comprises the corporate information, statement of corporate governance, report of the Directors, Directors' remuneration report and statement of Directors' responsibilities, which we obtained prior to the date of this auditor's report, and the rest of the other information in the 2022 Annual Report and Financial Statements which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the 2022 Annual Report and Financial Statements and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it

exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion. We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KENYA AIRWAYS PLC (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Companies Act, 2015

Report of the directors

In our opinion the information given in the report of the directors on pages 54 to 58 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 59 to 61 has been properly prepared in accordance with the Companies Act, 2015.

FCPA Michael Mugasa, Practicing Certificate Number 1478
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

27 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs millions	2021 KShs millions
Revenue	7	116,787	70,221
		<hr/>	<hr/>
Direct costs	8	(79,763)	(41,155)
Fleet ownership costs	8	(17,645)	(16,637)
Other operating costs	8	(24,995)	(19,232)
		<hr/>	<hr/>
Operating loss		(5,616)	(6,803)
		<hr/>	<hr/>
Finance costs	9	(32,893)	(9,387)
Interest income	9	194	162
		<hr/>	<hr/>
Loss before tax	10	(38,315)	(16,028)
		<hr/>	<hr/>
Income tax credit	11	51	150
		<hr/>	<hr/>
Loss for the year		(38,264)	(15,878)
		<hr/>	<hr/>
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Gain on property revaluation	14	2,503	-
Deferred tax on revaluation		(751)	-
		<hr/>	<hr/>
		1,752	-
Items that may be subsequently reclassified to profit or loss			
Exchange losses on cashflow hedges	23	(10,834)	(4,759)
Reclassification to profit or loss	23	22,593	1,465
		<hr/>	<hr/>
		11,759	(3,294)
		<hr/>	<hr/>
Other comprehensive gain/(loss) for the year, net of tax		13,511	(3,294)
		<hr/>	<hr/>
Total comprehensive loss for the year		(24,753)	(19,172)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022 (Continued)

	Notes	2022 KShs millions	2021 KShs millions
Loss for the year is attributable to:			
Owners of the Company		(38,252)	(15,882)
Non-controlling interest	24	(12)	4
		—————	—————
Loss for the year		(38,264)	(15,878)
		—————	—————
Total comprehensive loss for the year is attributable to:			
Owners of the Company		(24,741)	(19,176)
Non-controlling interest	24	(12)	4
		—————	—————
Total comprehensive loss for the year		(24,753)	(19,172)
		—————	—————
Earnings per share:			
Basic loss per share (KShs)	12	(6.57)	(2.73)
		—————	—————
Diluted loss per share (KShs)	12	(5.17)	(2.17)
		—————	—————

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs millions	2021 KShs millions
Revenue	7	107,899	64,191
		<hr/>	<hr/>
Direct costs	8	(74,901)	(37,928)
Fleet ownership costs	8	(16,088)	(15,054)
Other operating costs	8	(21,630)	(16,618)
		<hr/>	<hr/>
Operating loss		(4,720)	(5,409)
Finance costs	9	(32,534)	(9,004)
Interest income	9	247	167
		<hr/>	<hr/>
Loss before tax	10	(37,007)	(14,246)
Income tax expense	11	(43)	(38)
		<hr/>	<hr/>
Loss for the year		(37,050)	(14,284)
		<hr/>	<hr/>
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Gain on property revaluation	14	2,442	-
Deferred tax on revaluation		(732)	-
		<hr/>	<hr/>
		1,710	-
		<hr/>	<hr/>
Items that may be subsequently reclassified to profit or loss			
Exchange losses on cashflow hedges	23	(10,834)	(4,759)
Reclassification to profit or loss	23	22,593	1,465
		<hr/>	<hr/>
		(11,759)	(3,294)
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax		(13,469)	(3,294)
		<hr/>	<hr/>
Total comprehensive loss for the year		(23,581)	(17,578)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	2022 KShs millions	2021 KShs millions
ASSETS			
Non-current assets			
Property, aircraft and equipment	14	78,011	79,231
Intangible assets	15	2,935	2,896
Right-of-use-assets	16	41,689	43,873
Aircraft deposits	18	3,703	3,057
Deferred income tax	27	903	813
		<hr/>	<hr/>
		127,241	129,870
Current assets			
Inventories	19	2,273	2,152
Trade and other receivables	20	14,524	9,333
Prepaid maintenance asset	21	13,934	6,823
Current income tax	11	1,307	1,282
Cash and bank balances	32	9,633	6,095
		<hr/>	<hr/>
		41,671	25,685
TOTAL ASSETS			
		168,912	155,555
		<hr/>	<hr/>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	5,824	5,824
Share premium	22	49,223	49,223
Mandatory convertible note	22	9,630	9,630
Treasury shares	22	(142)	(142)
Other reserves	23	(2,090)	(15,601)
Accumulated losses		(170,585)	(132,333)
		<hr/>	<hr/>
Deficit attributable to owners of the Company		(108,140)	(83,399)
Non-controlling interests	24	50	62
		<hr/>	<hr/>
Total shareholders' deficit		(108,090)	(83,337)
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (Continued)

	Notes	2022 KShs millions	2021 KShs millions
LIABILITIES			
Non-current liabilities			
Borrowings	25	100,159	93,079
Lease liabilities	26	43,695	55,984
Deferred income tax	27	3,456	2,723
Provisions for liabilities	28	12,418	6,141
		<hr/>	<hr/>
		159,728	157,927
Current liabilities			
Borrowings	25	39,089	14,012
Lease liabilities	26	13,130	15,085
Provisions for liabilities	28	3,079	2,813
Sales in advance of carriage	29	18,951	10,892
Trade and other payables	30	42,907	38,163
Derivative financial instruments	31	118	-
		<hr/>	<hr/>
		117,274	80,965
TOTAL EQUITY AND LIABILITIES			
		168,912	155,555
		<hr/>	<hr/>

The financial statements on pages 69 to 156 were approved and authorised for issue by the Board of Directors on 27 March 2023 and signed on its behalf by:



Michael Joseph
Chairman



Allan Kilavuka
Managing Director

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

ASSETS	Notes	2022	2021
		KShs millions	KShs millions
Non-current assets			
Property, aircraft and equipment	14	77,126	78,473
Intangible assets	15	2,917	2,892
Right-of-use-assets	16	33,259	34,408
Investment in subsidiaries	17	435	435
Aircraft deposits	18	3,703	3,057
		117,440	119,265
Current assets			
Inventories	19	2,273	2,152
Trade and other receivables	20	38,789	31,182
Prepaid maintenance asset	21	11,737	5,149
Current income tax	11	1,275	1,269
Cash and bank balances	32	9,503	5,807
		63,577	45,559
TOTAL ASSETS		181,017	164,824
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	22	5,824	5,824
Share premium	22	49,223	49,223
Mandatory convertible note	22	9,630	9,630
Treasury shares	22	(142)	(142)
Other reserves	23	(2,418)	(15,887)
Accumulated losses		(167,287)	(130,237)
Total shareholders' deficit		(105,170)	(81,589)
LIABILITIES			
Non-current liabilities			
Borrowings	25	100,159	93,079
Lease liabilities	26	36,710	49,190
Deferred income tax	27	3,456	2,723
Provisions for liabilities	28	9,235	3,624
		149,560	148,616

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (Continued)

	Notes	2022 KShs millions	2021 KShs millions
LIABILITIES			
Current liabilities			
Borrowings	25	39,089	14,012
Lease liabilities	26	11,487	12,330
Sales in advance of carriage	29	18,517	10,674
Trade and other payables	30	65,394	58,937
Provisions for liabilities	28	2,022	1,844
Derivative financial Instruments	31	118	-
		136,627	97,797
TOTAL EQUITY AND LIABILITIES			
		181,017	164,824

The financial statements on pages 69 to 156 were approved and authorised for issue by the Board of Directors on 27 March 2023 and signed on its behalf by:



Michael Joseph
Chairman



Allan Kilavuka
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital KShs millions	Share premium KShs millions	Mandatory convertible note KShs millions	Treasury shares KShs millions	Other reserves KShs millions	Accumulated Loss KShs millions	Total KShs millions	Non-controlling interest KShs millions	Total equity KShs millions
Year ended 31 December 2021									
At start of year	5,824	49,223	9,630	(142)	(12,307)	(116,451)	(64,223)	58	(64,165)
Loss for the year	-	-	-	-	-	(15,882)	(15,882)	4	(15,878)
Other comprehensive income	-	-	-	-	(4,759)	-	(4,759)	-	(4,759)
Reclassified to profit or loss (Note 23)	-	-	-	-	1,465	-	1,465	-	1,465
At end of year	5,824	49,223	9,630	(142)	(15,601)	(132,333)	(83,39)	62	(83,337)
Year ended 31 December 2022									
At start of year	5,824	49,223	9,630	(142)	(15,601)	(132,333)	(83,39)	62	(83,337)
Loss for the year	-	-	-	-	-	(38,252)	(38,252)	(12)	(38,264)
Other comprehensive income	-	-	-	-	(10,834)	-	(10,834)	-	(10,834)
Reclassified to profit or loss (Note 23)	-	-	-	-	22,593	-	22,593	-	22,593
Revaluation surplus - net	-	-	-	-	1,752	-	1,752	-	1,752
At end of year	5,824	49,223	9,630	(142)	(2,090)	(170,585)	(108,140)	50	(108,090)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital KShs millions	Share premium KShs millions	Mandatory convertible note KShs millions	Treasury shares KShs millions	Other reserves KShs millions	Accumulated loss KShs millions	Total KShs millions
Year ended 31 December 2021							
At start of year	5,824	49,223		9,630	(142)	(12,593)	(115,953)
Loss for the year	-	-		-	-	(14,284)	(64,011)
Other comprehensive income (Note 23)	-	-		-	(4,759)	-	(14,284)
Reclassified to profit or loss (Note 23)					1,465	-	(4,759)
At end of year	5,824	49,223		9,630	(142)	(15,887)	(130,237)
Year ended 31 December 2022							
At start of year	5,824	49,223		9,630	(142)	(15,887)	(130,237)
Loss for the year	-	-		-	-	(37,050)	(81,589)
Other comprehensive income (Note 23)	-	-		-	(10,834)	-	(37,050)
Reclassified to profit or loss (Note 23)	-	-		-	22,593	-	(10,834)
Revaluation surplus - net					-	1,710	22,593
At end of year	5,824	49,223		9,630	(142)	(2,418)	(105,170)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs millions	2021 KShs millions
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	15,782	8,029
Interest received		194	162
Interest paid		(5,528)	(3,217)
Income tax paid	11	(82)	(65)
Net cash flows from operating activities		10,366	4,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, aircraft and equipment	14	(3,451)	(2,363)
Proceeds from disposal of property, aircraft and equipment		6	18
Purchase of intangible assets	15	(19)	-
Payment of deposits for aircraft leases	18	(4,109)	(295)
Proceeds from refunds of aircraft deposits	18	3,240	1,057
Net cash flows from investing activities		(4,333)	(1,583)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	25	26,393	14,000
Repayments of borrowings	25	(5,836)	(4,072)
Payment of deferred borrowing costs	25	(47)	(73)
Repayment of principal portion of lease liabilities	26	(23,005)	(14,814)
Net cash flows from financing activities		(2,495)	(4,959)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,538	(1,633)
CASH AND CASH EQUIVALENTS AT START OF YEAR		6,095	7,728
CASH AND CASH EQUIVALENTS AT END OF YEAR		9,633	6,095
REPRESENTED BY			
Cash and bank balances	32	9,633	6,095

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 KShs millions	2021 KShs millions
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	31	13,743	6,499
Interest received		247	167
Interest paid		(5,528)	(3,187)
Income tax paid	11	(49)	(44)
Net cash flows from operating activities		8,413	3,435
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, aircraft and equipment	14	(3,311)	(2,327)
Proceeds from disposal of property, aircraft and equipment		6	18
Purchase of intangible assets	15	(2)	-
Payments of deposits for aircraft leases	18	(4,109)	(295)
Proceeds from refunds of aircraft deposits	18	3,240	1,057
Net cash flows from investing activities		(4,176)	(1,547)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	25	26,393	14,000
Repayments of borrowings	25	(5,836)	(4,072)
Payment of deferred borrowing costs	25	(47)	(73)
Repayment of principal portion of lease liabilities	26	(21,051)	(13,472)
Net cash flows from financing activities		(541)	(3,617)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS			
		3,696	(1,729)
CASH AND CASH EQUIVALENTS AT START OF YEAR			
		5,807	7,536
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		9,503	5,807
REPRESENTED BY			
Cash and bank balances	32	9,503	5,807



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NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

Kenya Airways Plc ("the Company") is a limited liability company incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The annual financial statements comprise the consolidated and company financial statements. The subsidiaries in the group are namely Kenya Airfreight Handling Limited, Kencargo Airlines International Limited, Jambojet Limited, African Cargo Handling Limited and Fahari Aviation Limited (together referred to as the "Group" and individually as "Group Companies").

The Group is primarily involved in 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 address of its registered office is as shown on page 4. The Company's shares are listed on the Nairobi Securities Exchange, Dar es Salaam Stock Exchange and the Uganda Securities Exchange.

2 BASIS OF PREPARATION

(a) Basis of Accounting

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenya Companies Act, 2015.

For Kenyan Companies Act, 2015 reporting purposes in these financial statements, the balance sheet is represented by the statement of financial position and the profit and loss account is presented within the statement of profit or loss and other comprehensive income.

A summary of significant accounting policies is presented in Note 3.

(b) Basis of measurement

The Group and Company financial statements have been prepared on the historical cost basis of accounting except for certain assets and liabilities including land and buildings and derivative financial instruments which are measured at fair value.

(c) Functional and presentation currency

These consolidated and Company financial statements are presented in Kenya shillings (KShs), which is also the Company's functional currency. The financial statements are rounded to the nearest million shilling (KShs millions), unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and

assumptions are based on the Directors' best knowledge of current events, actions, historical experience, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

(e) Going concern

The Group and Company incurred a loss for the year of KShs 38,264 million (2021: KShs 15,878 million) and KShs 37,050 million (2021: KShs 14,284 million) respectively during the year ended 31 December 2022 and, as of that date, the Group's and Company's current liabilities exceeded current assets by KShs 75,603 million (2021: KShs 55,280 million) and KShs 73,050 (2021: KShs 52,238 million) respectively. In addition, as at 31 December 2022, the Group's and Company's total liabilities exceeded total assets by KShs 108,090 million (2021: KShs 83,337 million) and Kshs 105,170 million (2021: KShs 81,589 million) respectively.

Despite the fact that Aviation is still suffering from the effects of the Covid -19 Pandemic, the Group and Company's performance reflect an improved revenue position in the year and improved operating results reducing the operating loss for the year from KShs 6,803 million in 2021 to KShs 5,616 million in 2022 representing a 17% reduction. The results were further affected by high aviation fuel prices which were 42% higher than last year. Further, the net earnings were constrained by forex losses. The forex losses were worsened by the novation of the USD guaranteed loans as part of the ongoing financial restructuring programme. This meant that part of the exchange rate differences reported under finance costs below the operating profit and previously accumulated under the balance sheet reserves under hedge accounting treatment have been released to the statement of profit or loss since the hedge instrument no longer exists, resulting to a one off KShs 18,121 million loss.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern, and therefore may be unable to realise its assets and discharge its liabilities in the normal course of business.

The opening of borders around the world has led to quick rebounds in some key markets. The Group and Company remains very active in accommodating travel recovery seen in 2022. The Group and Company have continued to focus on the financial restructuring that started towards the end of 2021.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 BASIS OF PREPARATION (Continued)

(e) Going concern (continued)

Through this restructure we aim at achieving the following;

- a) Structurally reducing the costs of operation;
- b) Novation of some long-term loans to the Government of Kenya to reduce pressure on cashflows;
- c) Conclude discussions with lessors on lease negotiations with a view to secure reduction in fleet costs;
- d) Network optimisation through growth and increased partnerships;
- e) Operational excellence aimed at cost efficiency and improved service delivery;
- f) Digital transformation to improve efficiency and operational costs;
- g) Improving our customers experiences with a view to grow market share;
- h) De-risking the business through diversification with increased focus on cargo business, maintenance and repair operations, drone services among others and
- i) Culture change to enhance staff productivity.

The Directors believe the plans will, in the medium to long term, improve the Group's and Company's performance, cash flows and liquidity position and make the business sustainable.

The key shareholders and other stakeholders have been and continue to be appraised of and involved in the process of the required long-term support and recovery plan.

The Government of Kenya has committed, through a letter of support, to continue providing the required financial support to the Group and Company to enable it to implement its recovery program and meet its financial obligations as and when they fall due, for at least the next 12 months from the date of approval of the annual financial statements for the year ended 31 December 2022.

Although the Directors believe the initiatives will be successful and have prepared the financial statements on a going concern basis, the events, conditions and assumptions described above inherently include material uncertainties that may cast significant doubt on going concern as a result of numerous factors; including the continued impact of Covid-19 pandemic.; risks of doing business globally, including demand for travel and the impact that global economic and political conditions have on customer travel patterns; competitive pressures on pricing and on demand; changes in aircraft fuel prices and disruptions in supply.

However, the Directors have assessed the current trading and cash flow projections, and, after carefully considering the progress of the initiatives above and expectation of cash injection from the Government in the near term, have a reasonable expectation that the Group and Company will continue in operational existence for the foreseeable future. Accordingly, the Directors have prepared the consolidated and company financial statements on a going concern basis based on the plans described above and letter of financial support from the Government of Kenya.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated and company financial statements have been applied consistently to all periods presented in these financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in the subsidiary that does not result in loss of control are accounted for as equity transactions.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in that investee. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(b) Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kenya Shilling (KShs), which is Kenya Airways Plc's functional and presentation currency.

Transactions in foreign currencies during the year are converted into the respective functional currencies of Group companies at rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency translation (continued)

the functional currency at the exchange rates ruling at the reporting date. The resulting differences from conversion are taken to other income/ losses in profit or loss in the year in which they arise.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated at the exchange rate ruling at the transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

However, foreign currency differences arising from the translation of qualifying cash flow hedges (Borrowings and lease liabilities relating to aircrafts) are recognised in other comprehensive income to the extent that the hedge is effective.

(c) Revenue from contracts with customers

Revenue represents the fair value of the consideration received or receivable for sale of goods and services and is stated net of value added tax (VAT), rebates and discounts.

The Group recognises revenue from contracts with customers from the following major sources:

- providing international, regional and domestic carriage of passengers by air;
- providing international, regional and domestic carriage of freight and mail by air;
- providing handling services to other airlines and the handling of import and export cargo; and
- providing engineering and training services;

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all its revenue arrangements except for passenger interline and sale of holiday packages where the Group acts as an agent. The Group considers whether it is an agent or a principal in relation to transportation and accommodation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. Where Kenya Airways acts as an agent between the service provider and the end customer, the net commission income is recognised as revenue on satisfaction of the performance obligation (which typically is the date of sale).

The specific recognition criteria described below must also be met before revenue is recognised:

- **Passenger, freight and mail**

Passenger (including excess baggage), freight and mail are recognised as revenue when each performance obligation for the transportation service is fulfilled, that is at the point when flight documents are used and is presented net of discounts and taxes. The transaction price is allocated to each performance obligation based on the relative stand-alone selling price related to each performance obligation. Revenue documents (e.g. tickets or airway bills) sold but unused are held in the Group and Company statement of financial position under current liabilities as passenger and cargo sales in advance within 'Sales in Advance in Carriage'. This item is reduced either when Kenya Airways or another airline completes the transportation or when the passenger requests for a refund, which is paid in full. Unutilised tickets are recognised as revenue on expiry following the lapse of estimated period where the company believes there will be no material claim from passengers. The current estimated period is 13 months.

- **Handling services**

Sale of handling and ramp services is recognised when the performance obligation is fulfilled, that is at the point when control transfers which is typically when the cargo has been handed over to the courier, or from courier to the customer.

- **Engineering services**

The Group recognises engineering revenue over time as the benefits are transferred to the customers by determining the appropriate amount of revenue and cost relating to third-party maintenance contracts to be recognised in the statement of profit or loss in each period, when the outcome can be estimated reliably. Estimation is based on cost plus margin. Maintenance revenue is recognised as the related performance obligations are satisfied (over time), being where the control of the goods or services are transferred to the customer. When the outcome of a maintenance contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract cost incurred that are likely to be recoverable.

- **Training services**

Revenue from training services is recognised over time as the customer simultaneously receive and consume the benefits of these services over the training period. The level of completion of course work is measured on a straight-line basis over training period. The training period varies based on the type of course. Advance payments are recognised as contract liabilities and recognised as revenue as coursework is completed. There were no outstanding contract liabilities at 31 December 2022 (2021: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Rental income

The Group earns rental income from its operating lease and sublease agreements. Rental income is accounted for on a straight-line basis over the lease term by reference to the right-of-use assets.

(e) Interest income

Income is accrued on a time proportion basis, by applying the effective interest rate applicable to the principal outstanding.

(f) Frequent flyer programmes

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

(g) Property, aircraft and equipment

(i) Recognition, measurement and subsequent expenditure

Land and buildings are initially measured at cost and then are subsequently measured at fair value on the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Other categories of property, aircraft and equipment are included in the financial statements at their historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The Group allocates the amount initially recognised in respect of an item of property, aircraft and equipment to its significant components and depreciates separately each component. Aircrafts are componentised into airframe, engine, landing gear, auxiliary power (APU) unit and cabin reconfigurations. Major maintenance of engines and APU including replacement spares and parts, labour costs and/or third-party maintenance service costs, are capitalised and depreciated over the average expected life between major maintenance events.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of replacing part of an item of property or aircraft or equipment is recognised in the carrying amount of the

item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, aircraft and equipment are recognised in profit or loss. Gains and losses on disposal of property, aircraft and equipment are determined by comparing the proceeds of disposal with the carrying amount of the item of property, aircrafts and equipment and are recognised in profit or loss in the year in which they arise.

(ii) Depreciation

Depreciation is calculated on the straight-line basis to allocate the cost or revalued amounts to their residual values over the estimated useful lives of the property, aircrafts and equipment. The depreciation rates for the current and comparative year are as follows:

Aircraft and related equipment:	%
Boeing 787, 777, 737-300 & 737-700	5.56 - 20.00
Embraer E190	5.56 - 20.00
Simulator	5.00
Other property and equipment:	%
Ground service equipment	25.00
Motor vehicles	25.00
Communication assets	12.50
Other assets	20.00 - 30.00
Buildings	2.50
Leasehold land	Over the period of the lease
Freehold land	Not depreciated

The depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

(iii) Revaluation

Land and buildings are revalued every three years. The carrying amounts are adjusted to the revaluations and the resulting increase, net of deferred tax, is recognised in other comprehensive income and presented in the revaluation reserve within equity.

Revaluation decreases that offset previous increases of the same asset are charged or recognised in other comprehensive income with all other decreases being charged to profit or loss.

Revaluation surpluses are not distributable.

Depreciation on revalued land and buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) *Revaluation (continued)*

(iv) *Non-depreciable assets*

These are assets that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management. In the event of partially completed construction work that has necessitated advance or progress payments, or work-in-progress, depreciation will only commence when the work is complete. Property, aircrafts and equipment are classified as work-in-progress if it is probable that future economic benefits will flow to the Group and the cost can be measured reliably.

Amounts held within work in progress that are substantially complete, in common with other fixed assets, are assessed for impairment.

(h) *Intangible assets - capitalised software*

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the cost to complete the development. Internally developed software is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software is capitalised only if the definition of an intangible asset and the recognition criteria are met. All other expenditure is expensed as incurred.

The costs are amortised on the straight-line basis over the expected useful lives, from the date the software is available for use. Software is amortised for a period not more than five years. Amortisation methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

(i) *Intangible assets - landing slot*

Landing slots are measured initially at cost. No amortisation charge is recognised for landing slots as their useful lives are considered to be indefinite. Following initial recognition, landing slots are measured at cost less accumulated impairment losses, if any. Capitalised landing rights based within the European Union (EU) are not amortised, as regulations provide that these landing rights are perpetual.

(j) *Leases*

Group's lease portfolio

The Group leases comprise of buildings and aircraft and related equipment leases.

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate, which is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group's weighted average incremental borrowing rate is 6.3% (2021: 6%).

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated and company statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Leases (Continued)

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated and company statement of financial position.

In respect of aircraft and engines under leases, the Group has the responsibility to fulfil certain return conditions under the relevant leases. In order to fulfil these return conditions, major overhauls are required to be conducted on a regular basis. Accordingly, estimated costs of major overhauls for aircraft and engines under these leases are capitalised as a return conditions asset which forms part of the right-of-use assets. The return condition asset comprises the initial measurement of the corresponding return condition provision. It is subsequently measured at cost less amortisation to profit or loss, within fleet costs over the estimated period between overhauls using the estimated flying hours/cycles. Differences between the estimated costs and the actual costs of overhauls are included in the profit or loss in the period of overhaul.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Group considers both the lease asset and liability separately. The Group separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its aircraft and properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. When the head lease is a short-term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Finance income from finance leases is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

(k) Prepaid maintenance assets

Prepaid maintenance assets are payments made in advance to lessors for aircraft maintenance as required by the lease contracts. The prepaid maintenance reserve is offset against the maintenance cost by the lessor during the lease period. The unutilised prepayments at the end of the lease are not refundable by the lessor.

The maintenance payments are effectively supplemental lease payments which are carried as a lease incentive asset until the amount is forfeited. Since the amount of the refund is unknown and varies with the future maintenance costs to be incurred, it is treated as a variable lease payment that does not depend on an index or a rate and recognised in the profit or loss, within fleet costs, in the period in which the event or condition that triggers those payments occurs, i.e. when the amount of the supplemental rental is forfeited.

The prepaid maintenance asset is assessed for impairment annually based on the expected maintenance payments and projected costs for the remaining period of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency. Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group designates:

- Non-derivative financial liabilities to hedge foreign currency risk in a cash flow hedge relationship.

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

All hedging activities are carried out in accordance with the Group's internal risk management policies, as approved by the Board of Directors, and in accordance with the applicable regulations where the Group operates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of the changes in fair value of the derivative is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period as periods during which the hedged item affects the profit or loss.

Hedge ineffectiveness can arise from:

- The extent to which the hedging instrument is not correlated to the hedged item
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

Variances arising from discounting the hedged item are determined when measuring hedge ineffectiveness and are not considered material.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold, terminated, exercised,

or the designation is revoked, then hedge accounting is discontinued prospectively. Any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss. Accumulated losses in the cash flow hedging reserves are assessed for recoverability at every reporting period date. If a portion of such losses is not expected to be recovered in one or more future periods, the amount is immediately reclassified to profit or loss.

(m) Aircraft purchase

(i) Aircraft subsidy

The Group receives credits from manufacturers in connection with the acquisition of certain aircraft engines. These credits are offset against the cost of new aircraft where the credit is in effect a discount on the price.

(ii) Deferred income

Credits relating to delays in delivery are deferred and recognised in profit or loss on delivery of the aircraft.

(n) Deferred expenditure

The Group amortises cost of obtaining aircraft financing over the loan repayment period. The deferred expenditure is capitalised to the related borrowing (see Note 25(d)).

(o) Aircraft deposits

Aircraft deposits relate to advance payments for purchase or lease of aircrafts. Deposits paid towards the acquisition of aircraft represent amounts paid to the lessor for the option to purchase or lease aircrafts in the future. Deposits for leased aircraft acts as security for future lease payments and are fully refundable and accounted for as financial assets. Deposits made for the option to purchase or lease aircrafts in the future are non-refundable upon expiry. Initially, the financial asset is measured at fair value. The difference between fair value and the deposit amount at initial recognition is deferred and amortised to profit or loss over period of deposit only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset. The deposit is subsequently measured at amortised cost using the effective interest rate method less loss allowance.

(p) Employee benefits

(i) Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group have a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (continued)

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iii) Accrued leave

The monetary value of the unutilised leave by staff as at year end is carried in accruals as a payable and movements in the year are recognised in profit or loss.

(iv) Employee Share Ownership Scheme (ESOP)

The Group operates an ESOP that was set up during the Initial Public Offering in 1996. The scheme is inactive and currently holds 496,625 shares (2021: 496,625 shares). As part of the 2017 capital restructuring, a new ESOP scheme was created, and the Trustee allocated 142,164,558 ordinary shares which had not been issued to staff at the close of the year.

(v) Defined contribution plan

The employees of the Group participate in a defined contribution retirement benefit scheme. The assets of the scheme are held in a separate trustee administered fund, which is funded by contributions from both the Group and employees. The Group and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme. The Group's contributions to defined contribution schemes are charged to profit or loss in the year to which they relate. The Group has no further obligation once the contributions have been paid.

(vi) Staff gratuity

The Group has a gratuity arrangement for certain staff who are not covered by the defined contribution plan. Entitled staff are eligible for gratuity upon retirement/leaving the Group based on their contracts.

(q) Income tax expense

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

(i) Current income tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(q) Income tax expense

(ii) Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred income tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(r) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises expenditure incurred in the normal course of the business including direct material costs and other overheads incurred to bring the asset to the existing location and condition. Cost of issues is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of disposal. An allowance is made for obsolete, slow moving and defective inventories.

(s) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprises cash in hand, bank balances and short-term deposits net of bank overdrafts.

(t) Share capital

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

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction.

(u) Compound instruments

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Compound instruments (continued)

will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon the conversion or at the instrument's maturity date.

The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of any income tax effects and is not subsequently re-measured. The component will remain classified as equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital/share premium account.

(v) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

The Group classifies financial instruments into three categories as described below.

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost include trade receivables, aircraft deposits and cash and bank balances.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(ii) De-recognition

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

On derecognition of a financial asset measured at amortised cost, the difference between the assets carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) *Offsetting of financial assets and liabilities*

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

Financial liabilities

(i) *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including loans and mandatory convertible note.

(ii) *Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss

when the liabilities are derecognised as well as through the EIR amortisation process. Floating rate financial liabilities are initially recognised at an amount equal to the principal. Re-estimating the future interest payments does not significantly affect the carrying amount of the liability.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. Accounts payables and accruals are recognized for amounts to be paid in the future for goods or services received, whether or not billed by the supplier.

(iii) *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(w) *Impairment*

(i) *Financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for its trade receivables, aircraft deposits and bank balances. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical loss rates, which are derived from settlement of invoices over an average period of 5 years and adjusted with macroeconomic factor overlay calculations to incorporate current and forward-looking information. Macroeconomic factors incorporated for global debtors were world economic

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Impairment (Continued)

(i) Financial assets (continued)

expectations and crude oil price percentage changes, while for local debtors were deposits, savings, lending, GDP and housing price index.

Other assets include cash and bank balances and deposits which the Group uses counter party external rating equivalent both to determine whether the financial asset has significantly increased in credit risk and to estimate ECLs. The Group applies a simplified approach in calculating ECLs. The assessed amounts in the year were not material.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Indicators that there is no reasonable expectation of recovery include, the debtor being in severe financial difficulty and has failed to engage in repayment plan with the Group.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred income tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(x) Sovereign guarantee from the Government of Kenya

The Government of Kenya issued guarantees in relation to certain obligations of the Group to Exim Bank and a consortium of Kenyan Banks as part of balance sheet restructuring. The financial guarantee was initially measured at fair value. After initial recognition, the financial guarantee is measured at amortised cost over the term of the guaranteed loans.

(y) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding for the effects of all potentially dilutive ordinary shares.

(z) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, there being assets that take 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. Other borrowing costs are recognised as an expense as per Note 9.

(aa) Provision for liabilities

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

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

Provisions for employee restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be insignificant.

Return condition provision represents the estimate of the cost to meet the contractual lease end obligations on certain

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Provision for liabilities (continued)

aircraft and engines held under lease arrangements. The present value of the expected cost is recognised over the lease term considering the existing fleet plan and long-term maintenance schedules.

(bb) Related parties

The Group is controlled by Kenya Airways Plc incorporated in Kenya being the ultimate parent. There are other companies that are related to Kenya Airways Plc through common shareholdings or common Directorships. The Group discloses the nature and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the Directors, executive officers and related companies.

(cc) Segment reporting

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

(dd) Dividends

Dividends payable are recognised as a liability in the period in which they are declared.

ee) Adoption of new and revised International Financial Reporting Standards

(i) New and amended standards and interpretations adopted by the Group and Company

IFRS 16, 'Leases' COVID-19 - Related Rent Concessions Amendment

This amendment was published in March 2021 and was effective for annual periods beginning on or after 1 April 2021 (early adoption was permitted).

The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment would only be available if an entity chose to apply the May 2020 optional practical expedient.

The Group and Company applied the practical expedient under COVID-19 Related Rent Concessions – Amendment to IFRS 16 Leases to account for all rent concessions agreed with lessors as a result of COVID-19. Concessions took the form of delayed payments for leased aircraft. The impact of deferring rental payments on the interest expense charged to profit or loss was not material. The lease liabilities were remeasured

based on the modified cash flow over the remaining lease term, using the original discount rate.

Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity

This amendment was published in May 2020 and was effective for annual periods beginning on or after 1 January 2022.

The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

There was no material impact on the adoption of the standard to the financial statements of the Group and Company.

Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use

This amendment was published in May 2020 and was effective for annual periods beginning on or after 1 January 2022.

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

There was no material impact on the adoption of the standard to the financial statements of the Group and Company.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

This amendment was published in May 2020 and was effective for annual periods beginning on or after 1 January 2022.

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

There was no material impact on the adoption of the standard to the financial statements of the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ee) Adoption of new and revised International Financial Reporting Standards (continued)

(i) New and amended standards and interpretations adopted by the Group and Company (Continued)

Annual improvements cycle 2018 -2020

These amendments were published in May 2020 and were effective for annual periods beginning on or after 1 January 2022. These amendments include minor changes to:

- **IFRS 1, 'First time adoption of IFRS'** has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.
- **IFRS 9, 'Financial Instruments'** has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
- **IFRS 16, 'Leases'**, amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

There was no material impact on the adoption of the standard to the financial statements of the Group and Company.

(ii) New standards and interpretations not yet adopted by the Group and Company

Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current

This amendment was published in January 2020 and is effective for annual periods beginning on or after 1 January 2023.

The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). A number of requirements are required to be met in conjunction with this amendment.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Group or Company.

Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

These amendments were published in May 2021 and are effective for annual periods beginning on or after 1 January 2023.

The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Group or Company.

Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'

These amendments were published in February 2021 and are effective for annual periods beginning on or after 1 January 2023.

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Directors do not plan on early adopting the standard until it becomes effective. It is not expected to have any material effect on the Group or Company.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i. Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

i. Impairment of non-financial assets (continued)

date. Landing slots which have an indefinite useful life are tested for impairment annually or when such indicators exist. The recoverable amounts of cash generating units have been determined based on the value-in-use calculations. These calculations require the use of significant estimates and assumptions. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Changes to the estimates around the value in use may result in adjustments to the impairment charge in future periods.

ii. Property, aircrafts and equipment and intangible assets

Useful life of assets

The Group's management estimates the economic useful life of its assets for calculating depreciation. This estimate is determined after considering the expected usage of the assets from the latest fleet plans and other business plan information or physical wear and tear. Management reviews the estimated residual value and estimated economic useful lives annually and future depreciation charges would be adjusted where management believes the estimated economic useful life differ from previous estimates.

iii. Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The measurement of impairment losses across all categories of financial assets requires judgement and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's Expected Credit Losses (ECL) calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Historical default and expected loss rates;
- The Group's criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulas and the choice of inputs.

iv. Return condition provisions

Under the terms of the lease arrangements with the lessors, the Group and Company as lessee are contractually committed to either return the aircraft and/or engines in a certain condition or to compensate the lessor based on the actual condition of the aircraft and/or engines at the date of return. The Group is required to fulfil certain obligations which may include the completion of certain overhauls to the airframe, auxiliary power unit, engines and the refurbishment of seats at the date of return of the aircraft. The provision for return conditions is determined based on the best estimate of the future costs that will be incurred to fulfil the return

conditions. The measurement of the provision includes assumptions relating to expected costs, escalation rates, discount rates commensurate with the expected obligation maturity and long-term maintenance schedules. Changes in the assumptions may result to adjustments in the measurement of the provision in future periods.

v. Determination of discount rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses a discount rate to measure lease liabilities. The discount rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The discount rate therefore reflects what the Group would have to pay which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The discount rate for each lease was determined by taking into account the risk-free rate, adjusted for factors such as credit rating linked to the life of the underlying asset. Changes to the inputs used to estimate the discount rate may result to adjustment of the discount rate and ultimately the lease liability measurement in future periods.

vi. Asset restoration obligations

The Group has identified certain contractual obligations associated with the restoration of leased properties at the end of the lease term. An estimate of the present value of restoration costs are recognised as part of the right-of-use asset and depreciated over the lease term. Measurement of this provision requires assumptions and estimates to be made in relation to discount rates, the expected restoration costs and the expected timing of these costs. Changes in this provision are recognised as an adjustment to the right of use asset.

b) Critical accounting estimates, assumptions and judgements in the determination of the impact of Covid-19

i. Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The Group performed an impairment test on its owned aircrafts and right of use assets for leased aircrafts. The impairment review was carried out at the 'cash-generating unit' level, defined as the smallest identifiable group of assets, liabilities and associated intangible assets that generate cash inflows that are largely independent of the cash flows from other assets or group of assets. The impairment review was performed on the network airline operations CGU, including passenger, freighter and charter operations, as well as all related ancillary operations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

i. Impairment of non-financial assets (continued)

The Group and Company performed an impairment assessment of its owned aircrafts and related equipment at the end of year by comparing the recoverable amounts of the assets against their carrying value in the statement of financial position. Similar to prior years, the recoverable amount was based on fair value less costs to dispose of the aircrafts and related equipment by an independent external aviation expert, mba Aviation (USA).

The basis of valuation was market prices based on recent transactions discounted for the Covid-19 related risks, age and condition of the equipment. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. As a result, an impairment charge of KShs 461 million for Group and Company was realised for owned aircrafts.

The recoverable amount of the network airline operations for leased aircrafts has been measured based on the value-in-use, using a discounted cash flow model for leased aircrafts. Cash flow projections are based on the business plan covering the remaining life of each aircraft. Cash flows for the remaining life of each aircraft have been projected to increase in line with the long-term growth rate of the main economies in which the Group operates. There was no impairment charged for the leased aircrafts.

ii. Recoverability of deferred income tax assets

The timing and the duration of the recovery from Covid-19 has resulted in the Group exercising judgment in the determination of cash flows during this recovery and subsequent periods. The Company has therefore not recognised deferred tax assets in the financial statements in view of the uncertainty regarding the ability of the Company to generate sufficient taxable profits in the foreseeable future to facilitate utilisation of the benefits from the deductions.

The deferred tax assets include an amount of KShs 903 million (2021: KShs 796 million) relating to African Cargo Handling Limited and Kenya Airfreight Handling Company. The Group has concluded that the deferred income tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries. These business plans and budgets have taken into consideration the likely impact of Covid-19 pandemic. The subsidiary is expected to generate taxable income from 2023 onwards. The losses can be carried forward for 10 years.

As at 31 December 2022, the Group and Company had unrecognised deferred tax assets of KShs 58,304 million and KShs 56,206 million respectively relating to tax losses they do not reasonably expect to utilise.

iii. Unused ticket revenue

Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. Historically, the Group estimated the timing of recognition of unused tickets

as 13 months. The group recognized KShs 18,951 million (2021: KShs 10,892 million) as sales in advance of carriage (See Note 29).

c) Significant transactions as a result of Covid-19 pandemic

The Group has recorded the following additional significant transactions as a result of management actions in response to effects of Covid-19 pandemic:

i. Restructuring costs

As a result of the structural changes to the airline sector, the Group has taken austerity measures to reduce costs. These measures include but not limited to director and staff pay cuts, reducing and deferring capital expenditure, freezing recruitment, discretionary spending, implementing voluntary leave options and staff redundancies.

ii. Loans and borrowings

As part of Government Commitment to support the Airline's resumption of operations following the impact of Covid-19 pandemic, the Government of Kenya advanced a shareholder loan totalling KShs 16.27 billion during the year. This was in addition to KShs 25 billion advanced in 2020 and 2021, making the total loan amount to KShs 41.27 billion. The loan was to enable the airline recover for the impact of Covid-19 and support restructuring of the airline with a view to making the business profitable and sustainable in the long term. The loan is repayable after 5 years and attracts interest at a rate of 3% per annum.

The Government also initiated a novation process for the Government guaranteed debt owed by the airline and paid a total of KShs 2.8 billion (USD 22.97 million) as at 31st December 2022. This has been treated as a shareholder loan to the airline with similar terms as the existing shareholder loans.

d) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately above), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

i. Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several property lease contracts that include extension options.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

i. Determining the lease term of contracts with renewal and termination options (continued)

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

ii. Classification of rental property as property, plant and equipment or investment property

The Group determines whether a property should be classified as investment property or property, plant and equipment by considering the following factors;

- The intention for the use of the property;
- The proportion of rental income to the total income;
- The portion that is held for rentals or capital appreciation versus the portion that is held for use in the production or supply of goods or services or for administrative purposes; and
- The significance of ancillary services provided to the occupants of the property.

d) Critical judgements in applying the Group's accounting policies

iii. Deferred income tax asset

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As disclosed in Note 4(b), the Group has not recognised the full deferred income tax assets on the basis that the only the recognised portion is recoverable.

iv. Accounting for foreign currency hedge

The Company hedges its foreign currency risk in relation to its borrowings and lease liabilities against forecasted US dollar-denominated future revenue streams. The determination of the effectiveness of the hedge involves estimation of future USD revenue forecasts based on significant management assumptions such as ratio used to allocate "highly probable" USD sales out of the total budgeted sales, future currency exchange rates and revenue growth rates.

5 FINANCIAL RISK MANAGEMENT

Operating in the aviation industry, Kenya Airways Plc carries out its activities in an extremely dynamic, and often highly volatile, commercial environment. Therefore, both opportunities and risks are encountered as part of everyday business for the Group and Company. The Group's and Company's ability to recognise, successfully control and manage risks early in their development and to identify and exploit opportunities is key to its ability to successfully realise the corporate vision.

The Group and Company has exposure to the following risks from its use of financial instruments:

- a) Market risk
- b) Credit risk
- c) Liquidity risk
- d) Capital management

Changing market conditions expose the Group and Company to various financial risks and management have highlighted the importance of financial risk management as an element of control for the Group and Company. The policy of the Group and Company is to minimise the negative effect of such risks on cash flow, financial performance and equity.

This note presents information about the Group's and Company's exposure to each of the above risks, the Group's and Company's objectives, policies and processes for measuring and managing risk and the Group's and Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Group's and Company's Board of Directors have overall responsibility for the establishment of an oversight of the Group's and Company's risk management framework. The Board of Directors have established the Risk Management Committee, which is responsible for developing and monitoring the Group's and Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's and Company's risk management framework

The Group's and Company's risk management policies are established to identify and analyse the risks faced by the Group and Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and Group's activities. The Group and Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's and Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to risks faced by the Group and Company. The Audit

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

The Group's and Company's risk management framework (Continued)

and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

(a) Market risk

Market risk is the risk that changes in market prices, such as changes in interest rates, jet fuel prices or foreign exchange rates will affect the Group's and Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising returns.

Where possible, the Group and Company uses derivatives to manage market risks. As such, transactions are carried out within the guidelines set by the Board of Directors. Generally, the Group and Company seeks to apply hedge accounting to

manage volatility in profit or loss.

(i) Interest rate risk

The Group's and Company's exposure to market risk due to changes in interest rates primarily relates to its cash deposits and borrowings.

Most of the Group's and Company's debts are asset secured, reflecting the capital-intensive nature of the airline industry. The Group and Company has a mix of fixed rate interest loans and variable rate interest loans.

Exposure to interest rate risk

The interest rate profile of the Group's and Company's interest-bearing financial instruments as reported to management of the Group and Company is as follows:

Group and Company

	Nominal amount			
	Effective interest rate	KShs millions	Effective interest rate	KShs millions
Fixed rate instruments				
Local currency facility	3.00%	11,337	3.00%	25,760
Mandatory convertible note - liability component	12.03%	4,501	12.03%	4,849
		<hr/> <hr/> 15,838		<hr/> <hr/> 30,609
Variable rate instruments				
Local bank revolving facility	6.49%	13,113	5.64%	4,998
Samburu facility	5.75%	13,412	4.84%	13,580
Tsavo facility	1.79%	62,477	1.29%	59,717
		<hr/> <hr/> 89,002		<hr/> <hr/> 78,295
Total exposure		<hr/> <hr/> 104,840		<hr/> <hr/> 108,904

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(a) Market risk (Continued)

Sensitivity Analysis

A 1% increase/decrease in the interest rates at the reporting date would have increased/ decreased profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant and is only applied on variable interest-bearing instruments.

Variable rate instruments	Profit or loss/equity	
	2022	2021
	KShs million	KShs million
1% increase	(890)	(782)
1% decrease	890	782

(ii) Jet fuel price risk

The Group and Company are exposed to jet fuel price risk to the extent that there are significant changes in the prices of jet fuel. To minimise exposure to fluctuations in prices, the Group and Company consider the use of fuel hedge instruments periodically to manage exposure to fuel risk. The Group's and Company's risk management objective is to hedge the jet fuel price risk by effectively fixing the price of the expected future purchases which are highly probable. The Group and Company uses Options as its derivative financial instruments, while the entire risk of jet fuel purchase are designated as the hedged item.

At the inception of the hedge and in subsequent periods, the hedges are expected to be highly effective in achieving offsetting changes in the fair value attributable to the fuel purchases during the period for which the hedges are designated.

The Group and Company measures and assesses the hedge effectiveness monthly. The Group's and Company's policy is to hedge a maximum of 40% of the current year's projected fuel requirements. The Group and Company did not enter into any fuel hedge contracts in the current year.

(iii) Foreign currency risk

The Group and Company are exposed to foreign currency risk to the extent that there is mismatch between the currencies in which sales, purchases and borrowings are denominated. The currencies in which these transactions are primarily denominated are US Dollars (USD), Euros and Sterling Pounds.

To mitigate the foreign currency risk exposure, management hedges highly probable forecast USD sales against USD loans and lease liabilities to ensure that the foreign currency obtained from their sales is used to settle any foreign denominated liabilities. The main liabilities are the repayment of borrowings and lease liabilities relating to aircraft. Generally, liabilities are denominated in currencies that match the cash flows generated by the underlying operations of the Group and Company - primarily US Dollars. In addition, interest on borrowings and lease liabilities are denominated in the currency of the borrowing and lease liabilities.

The various currencies to which the Group and Company were exposed at 31 December 2022 and 31 December 2021 are summarised in the table below (all amounts expressed in Kenya Shillings million). The exposure is only in relation to the major non-Kenya shilling denominated balances:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

- (a) *Market risk (Continued)*
 (iii) *Foreign currency risk (Continued)*

Group

31 December 2022

	GBP KShs millions	USD KShs millions	Euro KShs millions	Total KShs millions
<i>Financial assets and lease receivables</i>				
Prepaid maintenance asset	-	14,388	-	14,388
Aircraft deposits	-	3,703	-	3,703
Trade and other receivables	950	6,999	904	8,853
Cash and cash equivalents	27	2,083	256	2,366
	977	27,173	1,160	29,310
<i>Financial liabilities and provisions</i>				
Trade and other payables	(852)	(25,202)	1,040	(25,014)
Mandatory convertible note	-	(5,670)	-	(5,670)
Lease liabilities	-	(13,131)	-	(13,131)
Return condition provision	-	(14,039)	-	(14,039)
Net exposure	125	(30,869)	2,200	(28,544)
<i>Financial liabilities</i>				
Loans and borrowings	-	(91,859)	-	(91,859)
Lease liabilities	-	(41,721)	-	(41,721)
Net exposure	-	(133,580)	-	(133,580)

31 December 2021

	GBP KShs millions	USD KShs millions	Euro KShs millions	Total KShs millions
<i>Financial assets and lease receivables</i>				
Prepaid maintenance asset	-	6,744	-	6,744
Aircraft deposits	-	3,057	-	3,057
Trade and other receivables	1,296	3,925	1,403	6,624
Cash and cash equivalents	65	2,279	139	2,483
	1,361	16,005	1,542	18,908
<i>Financial liabilities and provisions</i>				
Trade and other payables	(481)	(19,509)	(587)	(20,577)
Mandatory convertible note	-	(4,849)	-	(4,849)
Lease liabilities	-	(1,216)	-	(1,216)
Return condition provision	-	(7,932)	-	(7,932)
Net exposure	880	(17,501)	955	(15,666)
<i>Financial liabilities</i>				
Loans and borrowings	-	(78,295)	-	(78,295)
Lease liabilities	-	(59,191)	-	(59,191)
Net exposure	-	(137,486)	-	(137,486)

Company:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

- (a) *Market risk (Continued)*
 (iii) *Foreign currency risk (Continued)*

	GBP	USD	Euro	Total
	KShs millions	KShs millions	KShs millions	KShs millions
31 December 2022				
<i>Financial assets and lease receivables</i>				
Prepaid maintenance asset	-	11,737	-	11,737
Aircraft deposits	-	3,703	-	3,703
Trade and other receivables	950	6,055	904	7,909
Cash and cash equivalents	27	2,023	256	2,306
	977	23,518	1,160	25,655
<i>Financial liabilities and provisions</i>				
Return condition provision	-	(9,939)	-	(9,939)
Trade and other payables	(852)	(23,358)	(1,027)	(25,237)
Mandatory convertible note	-	(5,670)	-	(5,670)
Lease liabilities	-	(11,197)	-	(11,197)
Net exposure	125	(26,647)	133	(26,388)
<i>Financial liabilities</i>				
Loans and borrowings	-	(91,859)	-	(91,859)
Lease liabilities	-	(35,975)	-	(35,975)
Net exposure	-	(127,834)	-	(127,834)
31 December 2021				
<i>Financial assets and lease receivables</i>				
Prepaid maintenance asset	-	5,149	-	5,149
Aircraft deposits	-	3,057	-	3,057
Trade and other receivables	1,296	2,887	1,403	5,586
Cash and cash equivalents	65	2,095	139	2,299
	1,361	13,188	1,542	16,091
<i>Financial liabilities and provisions</i>				
Return condition provision	-	(4,237)	-	(4,237)
Trade and other payables	(481)	(18,209)	(575)	(19,265)
Mandatory convertible note	-	(4,849)	-	(4,849)
Lease liabilities	-	(1,216)	-	(1,216)
Net exposure	880	(15,323)	967	(13,476)
<i>Financial liabilities</i>				
Loans and borrowings	-	(78,295)	-	(78,295)
Lease liabilities	-	(59,191)	-	(59,191)
Net exposure	-	(137,486)	-	(137,486)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

- (a) *Market risk (Continued)*
- (iii) *Foreign currency risk (Continued)*

Sensitivity analysis

A 10% percent appreciation or depreciation of the Kenya shilling against the following currencies would increase/ (decrease) the reported profit or loss and equity by amounts shown below. This analysis is based on foreign currency exchange rates variances that the Group considered to be reasonably possible at end of the reporting period. This analysis assumes that all other variables in particular interest rates remain constant.

Profit or loss	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
GBP	13	88	13	88
USD	(3,087)	(1,750)	(2,655)	(1,532)
EURO	220	96	13	97
	(2,854)	(1,566)	(2,629)	(1,347)
USD	(13,358)	(13,749)	(12,783)	(13,749)

The exchange rates applied during the year are as follows:

	Average rates		Closing rates	
	2022	2021	2022	2021
GBP	145.42	151.24	148.52	152.76
USD	118.37	109.79	123.47	113.17
EURO	124.40	129.76	131.54	127.98

(b) Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or a counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's and Company's receivables from customers, cash and bank balances and aircraft deposits.

The carrying amount of the financial assets represents the maximum credit exposure.

The Group and Company largely conducts its sale of passenger and cargo transportation through International Air Transport Association (IATA) approved sales agents. All IATA agents have to meet a minimum financial criterion applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an on-going basis by IATA through the association's Agency Programme. The credit risk associated with such sales agents is relatively low owing to the programme's broad diversification. The Group's and 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 expected credit loss that the Group and Company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses are based on the historical loss rates, which are derived from settlement of invoices over an average period of 5 years and adjusted with macroeconomic factor overlay calculations to incorporate current and forward-looking information. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

The Group and Company do not have significant concentrations of credit risk on derivative counterparties where transactions are limited to financial institutions possessing high credit quality since the risk of default is low

The Board of Directors sets the Group's and Company's treasury policies and objectives and lays down parameters within which the various aspects of treasury risk management are operated. The Board has set limits for investing in specified banks and financial institutions and cash surpluses are maintained with credible institutions.

The carrying amount of financial assets and lease incentive asset represents the maximum exposure to credit risk:

	Group		Company	
	2022	2021	2022	2021
	KShs	KShs	KShs	KShs
	millions	millions	millions	millions
Trade receivables	9,810	6,102	5,894	5,901
Other receivables	4,714	3,231	29,027	2,614
Due from related parties	-	-	25,342	22,667
Aircraft deposits	3,703	3,057	3,703	3,057
Bank balances	9,633	6,095	9,503	5,807
Prepaid maintenance asset	14,273	6,823	11,737	5,149
Total	42,133	25,308	85,206	45,195

In order to minimise credit risk, the Group has tasked its Risk Management Committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Risk Management Committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing (stage 1)	The counterparty has a low risk of default and does not have any past-due amounts.	Lifetime ECL
Doubtful (stage 2)	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit impaired
In default (stage 3)	Amount is >360 days past due or there is evidence indicating the asset is credit impaired.	Lifetime ECL - credit impaired
Write off	There is evidence indicating that the debtor is in severe financial difficulty and has failed to engage in a repayment plan with the Group.	Amount is written off

The Group and Company consider factors such as changes in the payment cycle i.e. there is reduced frequency in payment remittances from what had been agreed with the customer. For example, if a debtor defaults in the IATA clearing house, this is flagged as an indication of a significant increase in credit risk.

The tables below detail the credit quality of the Group's and Company's financial assets as well as the Group's and Company's maximum exposure to credit risk by credit risk rating grades.

Group

	External			Gross carrying amount KShs millions	Net carrying amount	
	credit rating	Internal credit rating	12 month or lifetime ECL		Loss allowance KShs millions	KShs millions
31 December 2022						
Trade receivables	N/A	Doubtful	Lifetime ECL	9,810	(3,779)	6,031
Other receivables	N/A	Doubtful	Lifetime ECL	4,714	(251)	4,463
Bank balances	A, BBB, B+, B-	Performing	12-month ECL	9,633	-	9,633
Aircraft deposits	N/A	Performing	12-month ECL	3,703	-	3,703
Due from related companies	N/A	Doubtful	Lifetime ECL	69	(69)	-
Prepaid maintenance asset	N/A	Performing	12-month ECL	13,934	-	13,934
				41,863	(4,099)	37,764
31 December 2021						
Trade receivables	N/A	Doubtful	Lifetime ECL	8,545	(2,443)	6,102
Other receivables	N/A	Doubtful	Lifetime ECL	3,455	(224)	3,231
Bank balances	A, BBB, B+, B-	Performing	12-month ECL	6,095	-	6,095
Aircraft deposits	N/A	Performing	12-month ECL	3,057	-	3,057
Due from related companies	N/A	Doubtful	Lifetime ECL	86	(86)	-
Prepaid maintenance asset	N/A	Performing	12-month ECL	6,823	-	6,823
				28,061	(2,753)	25,308

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

The tables below detail the credit quality of the Group's and Company's financial assets as well as the Group's and Company's maximum exposure to credit risk by credit risk rating grades.

Company

31 December 2022

	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				KShs millions	KShs millions	KShs millions
Trade receivables	N/A	Doubtful	Lifetime ECL	9,512	(3,618)	5,894
Other receivables	N/A	Doubtful	Lifetime ECL	29,277	(250)	29,027
Bank balances	A, BBB, B+, B-	Performing	12-month ECL	9,503	-	9,503
Aircraft deposits	N/A	Performing	12-month ECL	3,703	-	3,703
Due from related companies	N/A	Doubtful	Lifetime ECL	25,472	(130)	25,342
Prepaid maintenance asset	N/A	Performing	12-month ECL	11,737	-	11,737
				89,204	(3,998)	85,206

31 December 2021

	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				KShs millions	KShs millions	KShs millions
Trade receivables	N/A	Doubtful	Lifetime ECL	8,263	(2,362)	5,901
Other receivables	N/A	Doubtful	Lifetime ECL	2,837	(223)	2,614
Bank balances	A, BBB, B+, B-	Performing	12-month ECL	5,807	-	5,807
Aircraft deposits	N/A	Performing	12-month ECL	3,057	-	3,057
Due from related companies	N/A	Doubtful	Lifetime ECL	22,960	(147)	22,813
Prepaid maintenance asset	N/A	Performing	12-month ECL	5,149	-	5,149
				48,073	(2,732)	45,341

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Credit risk profile based on provision matrix (Amounts in KShs millions)

Group	<30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
31 December 2022							
Trade- Airlines							
ECL rate	13.6%	26.8%	46.1%	61.2%	58.1%	97.3%	64.4%
Expected gross carrying amount	59	7	7	7	327	167	574
Lifetime ECL	8	2	3	4	190	163	370
Trade- Agents							
ECL rate	1.9%	20.5%	70.3%	75.6%	87.8%	98.8%	12.4%
Expected gross carrying amount	8,736	284	139	197	136	678	10,170
Lifetime ECL	164	58	98	149	119	670	1,258
Trade- Others							
ECL rate	87.0%	91.5%	94.0%	94.0%	97.0%	99.8%	95.6%
Expected gross carrying amount	324	137	95	280	331	850	2,017
Lifetime ECL	282	125	89	263	321	848	1,928
Trade- Government							
ECL rate	1.9%	6.6%	8.3%	18.3%	24.0%	92.3%	27.5%
Expected gross carrying amount	299	29	64	135	112	172	811
Lifetime ECL	6	2	5	25	27	158	223
Other receivables, prepayments and related party balances							
ECL rate	1.5%	1.7%	3.1%	2.1%	3.8%	10.7%	7.5%
Expected gross carrying amount	275	97	145	465	1,055	3,017	5,054
Lifetime ECL	4	2	4	10	40	321	381
31 December 2021							
Trade- Airlines							
ECL rate	1.8%	15.6%	17.9%	36.2%	34.2%	70.7%	25.8%
Expected gross carrying amount	458	3	1	2	1	246	711
Lifetime ECL	8	-	-	1	-	174	183
Trade- Agents							
ECL rate	1.1%	9.1%	14.9%	31.6%	28.7%	148.9%	18.0%
Expected gross carrying amount	4,844	139	42	36	54	627	5,742
Lifetime ECL	55	13	6	11	15	934	1,034
Trade- Others							
ECL rate	9.6%	28.6%	32.2%	34.3%	38.2%	144.3%	78.5%
Expected gross carrying amount	192	73	75	194	295	620	1,449
Lifetime ECL	18	21	24	67	113	895	1,138
Trade- Government							
ECL rate	1.6%	4.1%	5.6%	12.2%	18.6%	93.3%	17.2%
Expected gross carrying amount	194	123	25	50	44	67	503
Lifetime ECL	3	5	1	6	8	63	86
Other receivables, prepayments and related party balances							
ECL rate	0.9%	0.4%	4.9%	8.8%	8.5%	11.4%	10.5%
Expected gross carrying amount	33	129	10	234	246	2,889	3,541
Lifetime ECL	-	1	-	21	21	328	371

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Credit risk profile based on provision matrix (Amounts in KShs millions)

Company

	<30 days	31-60 days	61-90 days	91-180 days	181-360 days	Over 361 days	Total
31 December 2022							
Trade - Airlines							
ECL rate	2.6%	0.0%	0.0%	0.0%	70.6%	94.6%	73.3%
Expected gross carrying amount	38	1	1	0	307	157	504
Lifetime ECL	1	-	3	-	217	149	370
Trade - Agents							
ECL rate	1.9%	22.1%	46.6%	56.4%	78.2%	96.2%	11.2%
Expected gross carrying amount	8,445	263	131	186	127	634	9,786
Lifetime ECL	164	58	61	105	99	610	1,097
Trade - Others							
ECL rate	87.2%	91.8%	94.2%	94.2%	97.3%	100.0%	95.9%
Expected gross carrying amount	323	136	94	279	330	848	2,010
Lifetime ECL	282	125	89	263	321	848	1,928
Trade - Government							
ECL rate	1.9%	6.6%	8.3%	18.3%	24.0%	92.4%	27.5%
Expected gross carrying amount	299	29	64	135	112	172	811
Lifetime ECL	6	2	5	25	27	159	224
Other receivables, prepayments and related party balances							
ECL rate	0.3%	0.3%	0.5%	0.4%	0.6%	1.8%	1.3%
Expected gross carrying amount	1,613	569	849	2,733	6,195	17,716	29,675
Lifetime ECL	4	2	4	10	40	321	381

31 December 2021

Trade - Airlines

ECL rate	1.8%	16.1%	18.4%	37.3%	35.2%	72.7%	26.6%
Expected gross carrying amount	445	3	1	2	1	239	691
Lifetime ECL	8	-	-	1	-	174	183

Trade - Agents

ECL rate	1.1%	8.8%	14.6%	30.8%	28.0%	145.3%	17.6%
Expected gross carrying amount	4,577	131	40	34	51	542	5,375
Lifetime ECL	50	12	6	10	14	861	953

Trade - Others

ECL rate	16.5%	27.0%	30.4%	32.4%	36.1%	136.3%	78.8%
Expected gross carrying amount	112	77	80	205	312	657	1,443
Lifetime ECL	18	21	24	67	113	895	1,138

Trade - Government

ECL rate	1.6%	4.1%	5.6%	12.2%	18.6%	93.3%	17.2%
Expected gross carrying amount	194	123	25	50	44	67	503
Lifetime ECL	3	5	1	6	8	63	86

Other receivables, prepayments and related party balances

ECL rate	0.1%	0.1%	0.7%	1.2%	1.2%	1.6%	1.4%
Expected gross carrying amount	241	931	71	1,691	1,782	20,904	25,620
Lifetime ECL	-	1	-	20	21	327	369

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

A reconciliation of the impairment loss accounts:

Group

	Trade and other receivables KShs millions	Due from related party KShs millions	Total KShs millions
31 December 2022			
At 1 January 2022	(2,667)	(86)	(2,753)
Increase in expected credit losses	(1,363)	-	(1,363)
Unused amounts reversed	-	17	17
At 31 December 2022	<u>(4,030)</u>	<u>(69)</u>	<u>(4,099)</u>

Group

31 December 2021

At 1 January 2021	(2,135)	(88)	(2,223)
Increase in expected credit losses	(532)	-	(532)
Unused amounts reversed	-	2	2
At 31 December 2021	<u>(2,667)</u>	<u>(86)</u>	<u>(2,753)</u>

Company

31 December 2022

At 1 January 2022	(2,585)	(147)	(2,732)
Increase in expected credit losses	(1,283)	-	(1,283)
Unused amounts reversed	-	17	17
At 31 December 2022	<u>(3,868)</u>	<u>(130)</u>	<u>(3,998)</u>

31 December 2021

At 1 January 2021	(2,197)	(149)	(2,346)
Increase in expected credit losses	(388)	-	(388)
Unused amounts reversed	-	2	2
At 31 December 2021	<u>(2,585)</u>	<u>(147)</u>	<u>(2,732)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario.

The central scenario is aligned with information used by the Group for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the World Bank, the International Monetary Fund and selected private-sector forecasts. The forecasts for the macroeconomic factors were derived using ARIMA time series modelling. However, the forecasts that could not be reasonably derived using ARIMA were obtained from the sources described above.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for receivable portfolios are: Central Bank rate, inflation, saving rates, housing price index, world economic expectation and LIBOR rate.

The economic scenarios used as at 31 December 2022 include the following range of indicators

Macro-Economic variable	Base	Upside	Downside
Weighting	90%	5%	5%
Inflation Rate	6.9%	7.9%	5.8%
Crude Oil Prices	-2.6%	-1.6%	-3.7%
Percentage Change			
Total Foreign exchange holdings in the World	0.0%	1.0%	-1.0%
Housing Price Index	0.0%	1.0%	-1.1%
World Economic expectations	-17.3%	-2.1%	-32.5%
Global LIBOR Rates	0.2%	1.0%	-0.7%

In determining the economic scenarios to be applied. Each of the economic variables was adjusted either upside or downside using the historical standard deviation. Predicted relationships between the key indicators and default and loss rates on the trade receivables portfolios were developed based on analyzing historical data over the past five years.

The impact of Covid-19 pandemic on the historical loss rates has been incorporated in the macroeconomic overlay calculations, thus factoring in the current and forward-looking aspects. The Group's trade receivables portfolio is also largely made up of balances which relate to IATA and Billing Settlement Plan (BSP) clearing houses. The clearing houses strictly regulate the settlement cycles therefore these balances were not significantly impacted by Covid-19.

Sensitivity Analysis

A 5% increase/decrease in the macroeconomic variables at the reporting date would have increased/ decreased profit or loss and equity by the amounts shown below. The analysis assumes that all other variables, in particular, probabilities of default and loss given defaults, remain constant.

	Profit or loss/equity	
	2022	2021
	KShs	KShs
	millions	millions
Macroeconomic variables		
5% increase	(158)	(162)
5% decrease	158	162

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group and Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's and Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Company's reputation.

Kenya Airways seeks to maintain sufficient cash balances to cover six months debt obligations and lease rentals.

Management performs cash flow forecasting and monitor rolling forecasts of the Group's and Company's liquidity requirements to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group and Company do not breach borrowing limits or covenants on any of its borrowing facilities. Management have sought waivers before year-end from lenders when they have not been compliant with the covenants. Where the waiver is not received prior to the year end, management classifies the loans as current in compliance with the standards. Note 2(e) summarises the procedures the Directors' are putting in place to address the solvency challenges facing the Company.

The table below analyses financial liabilities and provisions into relevant maturities based on the remaining period at year-end to the contractual maturity date. The amounts are gross and undiscounted and include estimated interest payments.

Group:

31 December 2022	Less than 1 year	2 - 5 years	Over 5 years	Total
	KShs millions	KShs millions	KShs millions	KShs millions
Borrowings	47,879	173,312	-	221,191
Trade and other payables	43,013	-	-	43,013
Lease liabilities	15,585	38,519	26,084	80,188
Return condition provisions	1656	4,729	7,673	14,058
	108,133	216,560	33,757	358,450

31 December 2021

Borrowings	19,941	93,705	6,510	120,156
Trade and other payables	38,163	-	-	38,163
Lease liabilities	18,583	48,328	18,452	85,363
Return condition provisions	1,190	3,197	2,929	7,316
	77,877	145,230	27,891	250,998

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Company

31 December 2022	Less than 1 year	2 - 5 Years	Over 5 years	Total
	KShs millions	KShs millions	KShs millions	KShs millions
Borrowings	47,879	173,312	-	221,191
Trade and other payables	65,512	-	-	65,512
Lease liabilities	13,765	32,030	25,377	71,172
Return condition provisions	1,443	2,415	6,081	9,939
	128,599	207,757	31,458	367,814

31 December 2021				
Borrowings	19,941	93,705	6,510	120,156
Trade and other payables	58,937	-	-	58,937
Lease liabilities	15,540	40,569	15,872	71,981
Return condition provisions	325	2,856	756	3,937
	94,743	137,130	23,138	255,011

(d) Capital management

The Group's Board of Director's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

The Group's Board of Directors monitors the return on capital, which is defined as net operating income divided by total shareholders' equity.

The Group's Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group monitors the return on shareholder's funds which is defined as the profit for the year expressed as a percentage of average shareholder's equity. The Group and Company seeks to provide a higher return to the shareholders by investing in more profitable routes and improving on efficiencies to provide world class service to meet its growth plans.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

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

Group	2022 KShs millions	2021 KShs millions
Total equity*	(108,090)	(83,337)
Borrowings	139,248	107,091
Less: Cash and bank balances	(9,633)	(6,095)
Net borrowings	129,615	100,996
Net debt to equity ratio	>100%	>100%

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

Company	2022 KShs millions	2021 KShs millions
Total equity*	(105,170)	(81,589)
Borrowings	139,248	107,091
Less: Cash and bank balances	(9,503)	(5,807)
Net borrowings	129,745	101,284
Net debt to equity ratio	>100%	>100%

*Total equity includes all capital and reserves of the Group and Company respectively.

(e) Fair value measurement of financial instruments

The group hold financial assets not at fair value. The directors have assessed the carrying value of these assets to be equivalent to their fair value due to their short-term tenure.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 OPERATING SEGMENTS

Executive directors have determined the operating segments based on the nature of services. The operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer that are used to make strategic decisions.

The operating segments are the business segments as disclosed in the financial statements. The rest of the world refers to routes operated outside Kenya and they include regions specified in the geographical segment disclosure.

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

The major part of the business of the Group and Company falls under category of aviation transport with income from other categories comprising less than 9.5% of total income.

Analysis of turnover according to business segments:

	Passenger KShs millions	Freight and mail KShs millions	Handling KShs millions	Lease rental income KShs millions	Sub-lease Income KShs millions	Other revenue KShs millions	Total KShs millions
31 December 2022							
Kenya	6,281	41	1991	-	-	528	8,841
Rest of the world	82,570	13,856	-	1,347	2,832	6,941	107,546
	88,851	13,897	1991	1,347	2,832	7,469	116,387

31 December 2021

Kenya	4,798	121	1,721	-	-	343	6,983
Rest of the world	41,740	13,312	-	1,311	2,622	4,253	63,238
	46,538	13,433	1,721	1,311	2,622	4,596	70,221

Analysis of costs according to business segments:

31 December 2022

	Passenger KShs millions	Freight and mail KShs millions	Handling KShs millions	Lease rental income KShs millions	Sub-lease income KShs millions	Other revenue KShs millions	Total KShs millions
31 December 2022							
Depreciation	4,947	774	111	75	158	415	6,480
Interest expense	7,519	1,176	169	114	240	631	9,849

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 OPERATING SEGMENTS (Continued)

Analysis of costs according to business segments (Continued)

31 December 2021

	Passenger	Freight and mail	Handling	Lease rental income	Sub-lease income	Other revenue	Total
	KShs millions	KShs millions	KShs millions	KShs millions	KShs millions	KShs millions	KShs millions
Depreciation	4,197	1,211	155	118	236	415	6,332
Interest expense	5,268	1,520	195	148	297	520	7,948

Analysis of operating loss per business segments:

	Group		Company	
	2022		2021	
	KShs millions	KShs millions	KShs millions	KShs millions
Passengers	(4,251)	(4,509)	(3,565)	(3,552)
Freight, mail and others	(689)	(1,747)	(627)	(1,524)
Handling	(99)	(166)	-	-
Lease rental income	(577)	(127)	(528)	(110)
Sub-lease income	-	(254)	-	(221)
	(5,616)	(6,803)	(4,720)	(5,407)

Segment assets and liabilities

The major revenue-earning assets of the Group and Company comprise the aircraft fleet, all of which are registered in Kenya. Since the Group's and Company's aircraft fleet is employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to the operating segments. Since the aircraft fleet is deployed flexibly across the Group's route network, providing information on non-current assets by geographical and business segments is not considered meaningful.

Analysis of Turnover by Geographical Segments

	2022 KShs millions	2021 KShs millions
Africa	65,531	38,230
Europe	26,791	11,395
Middle East	7,329	7,723
China	5,093	6,507
India	4,326	1,786
North America	7,717	4,580
	116,787	70,221

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 REVENUE

(a) (i) Revenue from contracts with customers:

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
Recognised at a point in time:				
Passengers	88,851	46,538	81,903	42,166
Freight and mail	13,897	13,433	13,892	13,433
Handling	1,991	1,721	-	-
	104,739	61,692	95,795	55,599
Recognised over time:				
Engineering services	726	526	726	526
Training services	93	79	93	79
	819	605	819	605
(ii) Other revenue				
Lease rental income	1,347	1,311	1,347	1,311
Sub-lease income	2,833	3,059	2,832	3,059
Sundry income	7,049	3,554	7,106	3,617
	11,229	7,924	11,285	7,987
Total	116,787	70,221	107,899	64,191
(iii) Interest Income				
	194	162	247	167

8 EXPENSES BY NATURE

(a) Direct costs

Aircraft fuel and oil	42,540	16,349	40,078	15,156
Aircraft landing, handling and navigation	12,635	7,988	12,066	7,619
Aircraft maintenance	8,366	5,071	7,678	4,335
Passenger services	3,948	1,960	3,916	1,934
Commissions on sales	2,066	1,242	2,032	1,225
Aircraft, passenger and cargo insurance	1,201	1,276	1,026	1,140
Crew route expenses	2,675	2,174	2,666	2,169
Central reservation system and frequent flyer programme	5,349	3,122	4,835	2,681
Other direct costs	983	1,973	604	1,669
	79,763	41,155	74,901	37,928

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 EXPENSES BY NATURE (Continued)

(b) Fleet ownership costs

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
Short-term lease expense	1,938	437	2,111	399
Depreciation on aircraft and related equipment (Note 14)	5,712	5,542	5,706	5,537
Impairment of aircraft and related equipment (Note 14)	461	129	461	129
Amortisation of Right of Use(ROU) asset- aircraft and related equipment (Note 16)	6,662	7,925	5,859	6,707
Amortisation of return condition asset (Note 16)	1,344	1,409	762	1,087
Variable lease expense - prepaid maintenance asset (Note 21)	1,776	1,195	1,437	1,195
Return conditions provision reversal (note 28)	(248)	-	(248)	-
	17,645	16,637	16,088	15,054

(c) Other operating costs

(i) Administration expenses

Employee costs (Note 8(d))	12,621	12,710	10,586	10,831
Legal and professional fees	956	378	945	360
Directors' remuneration (Note 33(b))	82	76	82	76
Auditor's remuneration	18	15	12	11
General expenses	3,818	2,230	3,464	1,844
	17,495	15,409	15,089	13,122

(ii) Establishment

General maintenance and supplies	594	536	516	476
Depreciation on property and equipment (Note 14)	762	846	702	786
Amortisation of intangible assets - computer software (Note 15)	170	147	167	143
Amortisation of leased buildings (Note 16)	396	414	267	283
	1,922	1,943	1,652	1,688

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 EXPENSES BY NATURE (Continued)

(iii) Selling

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
Advertising and publicity	235	106	199	105
Provision for Expected Credit Loss(ECL) on trade and other receivables (Note 20)	1,346	530	1,266	386
	_____	_____	_____	_____
	1,581	636	1,465	491
	_____	_____	_____	_____
Bank charges	145	86	101	82
Currency translation losses	3,852	1,158	3,323	1,235
	_____	_____	_____	_____
	3,997	1,244	3,424	1,317
	_____	_____	_____	_____
Total other operating costs	24,995	19,232	21,630	16,618
	_____	_____	_____	_____

(d) Employee costs

Wages and salaries	11,310	10,468	9,638	8,927
Retirement benefits costs	175	85	100	56
National Social Security Fund (NSSF)	50	8	56	6
(Decrease)/Increase in leave pay accrual	(558)	744	(585)	658
Redundancy costs (Note 28)	-	32	-	36
Other staff costs	1,644	1,373	1,377	1,148
	_____	_____	_____	_____
	12,621	12,710	10,586	10,831
	_____	_____	_____	_____

(e) Number of employees

	Group		Company	
	2022	2021	2022	2021
Flight operations	1,379	1,172	1,233	1,118
Ground services	1038	1,016	921	969
Management and administration	1273	987	1,189	941
Technical	540	541	482	516
	_____	_____	_____	_____
	4,230	3,716	3,825	3,544
	_____	_____	_____	_____

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 NET FINANCE COSTS

Interest expense:

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
- borrowings (Note 25)	6,385	4,076	6,385	4,072
- lease liabilities (Note 26)	4,085	4,141	3,557	3,507
-return condition provisions (Note 28)	(170)	(295)	(1)	(40)
	—	—	—	—
	10,300	7,922	9,941	7,539
Currency translation losses on borrowings (Note 23)	1,135	523	19,255	523
Currency translation losses on hedged items reclassified from OCI (Note 23)	18,120	-	18,120	-
Currency translation losses on leases (Note 23)	3,338	942	3,338	942
	—	—	—	—
Interest income:	32,893	9,387	32,534	9,004
Interest income on bank deposits	(194)	(162)	(247)	(167)
	—	—	—	—
Net finance costs	32,699	9,225	32,287	8,837
	—	—	—	—

10 LOSS BEFORE TAXATION

The loss before tax is arrived at after
charging/(crediting):

Lease rental income (Note 7(a)(ii))	(1,347)	(1,311)	(1,347)	(1,311)
Employee costs (Note 8(d))	12,621	12,710	10,587	10,831
Net foreign exchange losses	26,445	2,623	25,916	2,700
Depreciation of property, aircraft and equipment (Note 14)	6,473	6,388	6,407	6,323
Amortisation of computer software (Note 15(b))	170	147	167	143
Amortisation of right-of-use asset (Note 16)	7,058	8,339	6,126	6,990
Amortisation of return conditions asset (Note 16)	1,344	1,409	762	1,087
Impairment of prepaid maintenance asset (Note 21)	1,776	1,195	1,437	1,195
Provision for expected credit losses on trade receivables (Note 20)	1,346	530	1,266	386
Auditor's remuneration	18	15	12	9
Directors' remuneration (Note 33(c))	82	76	82	76
Provision for obsolete inventories (Note 19)	66	(1)	66	(1)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 INCOME TAX

(a) Group

(i) Income tax (credit)/charge

Income tax charge/(credit) recognised in profit or loss

	2022 KShs millions	2021 KShs millions
Current income tax at 30% (2021:30%)	51	63
Prior year current tax under-provision	6	-
Deferred income tax (note 27)	(85)	(213)
Prior year deferred tax credit under provision (note 27)	(23)	-
	<hr/>	<hr/>
	(51)	(150)
	<hr/>	<hr/>

(ii) Reconciliation of income tax based on accounting loss to tax (credit)/charge

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

	2022 KShs millions	2021 KShs millions
Loss before tax	(38,315)	(16,028)
	<hr/>	<hr/>
Current tax at 30% (2021:30%)	(11,495)	(4,808)
Tax effect of expenses not subject for tax purposes	(1,704)	(493)
Unrecognised deferred tax asset (note 27)	13,165	5,151
Prior year deferred tax credit under provision	(23)	-
Prior year current tax under provision	6	-
	<hr/>	<hr/>
Tax credit	(51)	(150)
	<hr/>	<hr/>

(b) Company

(i) Income tax expense

Income tax charge recognised in profit or loss

Current tax at 30% (2021:30%)	43	38
Deferred income tax	-	-
	<hr/>	<hr/>
Income tax expense	43	38
	<hr/>	<hr/>

(ii) Reconciliation of tax based on accounting loss to tax charge

Loss before tax	(37,007)	(14,246)
	<hr/>	<hr/>
Current tax at 30% (2021:30%)	(11,102)	(4,274)
Tax effect of expenses not subject for tax purposes	(1,560)	(41)
Unrecognised deferred income tax asset (Note 27)	12,705	4,353
	<hr/>	<hr/>
Tax charge	43	38
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 INCOME TAX (continued)

(c) Current income tax balance

	Group 2022 KShs millions	2021 KShs millions	Company 2022 KShs millions	2021 KShs millions
At start of year	1,282	1,280	1,269	1,263
Charge for the year	(51)	(63)	(43)	(38)
Under-provision in prior years	(6)	-	-	-
Paid during the year	82	65	49	44
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,307	1,282	1,275	1,269
	<hr/>	<hr/>	<hr/>	<hr/>

12 EARNINGS PER SHARE - GROUP

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

	2022 KShs millions	2021 KShs millions
Loss attributable to owners of the Company	(38,252)	(15,882)
Basic loss per share	<hr/>	<hr/>
Weighted average number of ordinary shares (million)	5,824	5,824
Basic loss per share (KShs)	(6.57)	(2.73)
Instruments with dilutive impact in the year:		
Weighted average number of ordinary shares deemed to be issued in respect of mandatory convertible note (million)	1,659	1,659
Adjusted loss before tax	(38,696)	(16,257)
Diluted loss per share (KShs)	(5.17)	(2.17)

13 DIVIDENDS - GROUP AND COMPANY

The Directors do not recommend payment of dividend for the year ended 31 December 2022 (2021: nil). This proposal will be presented for formal approval by the shareholders at the forthcoming Annual General Meeting.

The unclaimed dividends account is as follows:

	2022 KShs millions	2021 KShs millions
At start and end of year (Note 30)	76	78

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 PROPERTY, AIRCRAFT AND EQUIPMENT

Group

	Aircraft and related equipment KShs millions	Other property and equipment KShs millions	Incomplete projects KShs millions	Total KShs millions
As at 1 January 2021				
Cost or valuation	10,708	128,363	12,060	136
Accumulated depreciation	(476)	(56,141)	(11,053)	-
At 1 January 2021	10,232	72,222	1,007	136
Year ended 31 December 2021				
Opening net book amount	10,232	72,222	1,007	136
Additions	-	434	158	1,771
Transfer from incomplete projects	-	698	33	(731)
Transfer to intangible assets	-	-	-	(193)
Disposals	-	(138)	(61)	-
Depreciation charge	(476)	(5,542)	(370)	(6,388)
Impairment	-	(129)	-	(129)
Depreciation eliminated on disposal	-	121	59	180
Net book amount	9,756	67,666	826	983
At 31 December 2021	9,756	67,666	826	983
At 31 December 2021	9,756	67,666	826	983
Year ended 31 December 2022				
Opening net book amount	9,756	67,666	826	983
Additions	-	1,040	316	2,095
Revaluation surplus	2,503	-	-	2,503
Transfer to Fahari Aviation	-	-	(9)	(9)
Transfer from incomplete projects	-	1,390	12	(1,402)
Transfers to intangible assets	-	-	-	190)
Disposals	-	(52)	(72)	-
Depreciation charge	(476)	(5,712)	(286)	(6,474)
Impairment	-	(461)	-	(461)
Depreciation eliminated on disposal	-	13	71	84
At 31 December 2022	11,783	63,884	858	1,486
As at 31 December 2022	11,783	63,884	858	1,486
Cost or valuation	11,783	131,737	12,170	1,486
Accumulated depreciation	-	(67,853)	(11,312)	-
At 31 December 2022	11,783	63,884	858	1,486
	11,783	63,884	858	1,486
	78,011			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 PROPERTY, AIRCRAFT AND EQUIPMENT (Continued)

Company

	Land and buildings KShs millions	Aircraft and related equipment KShs millions	Other property and equipment KShs millions	Incomplete projects KShs millions	Total KShs millions
At 1 January 2021					
Cost or valuation:	10,112	128,275	11,349	113	149,849
Accumulated depreciation	(449)	(56,129)	(10,463)	-	(67,041)
At 1 January 2021	9,663	72,146	886	113	82,808
Year ended 31 December 2021					
Opening net book amount	9,663	72,146	886	113	82,808
Additions	-	431	129	1,767	2,327
Transfer from incomplete projects	-	698	33	(731)	-
Transfer to intangible assets	-	-	-	(193)	(193)
Disposals	-	(136)	(60)	-	(196)
Depreciation charge	(450)	(5,537)	(336)	-	(6,323)
Impairment	-	(129)	-	-	(129)
Depreciation eliminated on disposal	-	121	58	-	179
Net book amount	9,213	67,594	710	956	78,473
At 31 December 2021					
Cost or valuation:	10,112	129,267	11,454	956	151,789
Accumulated depreciation	(899)	(61,673)	(10,744)	-	(73,316)
At 31 December 2021	9,213	67,594	710	956	78,473
Year ended 31 December 2022					
Opening net book amount	9,213	67,594	710	956	78,473
Additions	-	955	272	2,084	3,311
Transfer to Fahari Aviation	-	-	(9)	-	(9)
Revaluation surplus	2,442	-	-	-	2,442
Transfer from incomplete projects	-	1,390	12	(1,402)	-
Transfers to intangible assets	-	-	-	190	(190)
Disposals	-	(40)	(72)	-	(112)
Depreciation charge	(449)	(5,706)	(253)	-	(6,408)
Impairment	-	(461)	-	-	(461)
Depreciation eliminated on disposal	-	10	70	-	80
At 31 December 2022	11,206	63,742	730	1,448	77,126
At 31 December 2022					
Cost or valuation	11,206	131,573	11,657	1,448	155,884
Accumulated depreciation	-	(67,831)	(10,927)	-	(78,758)
At 31 December 2022	11,206	63,742	730	1,448	77,126

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 PROPERTY, AIRCRAFT AND EQUIPMENT (Continued)

Carrying amounts that would have been recognised if land and buildings were stated at cost

	Group		Company	
	KShs millions	KShs millions	KShs millions	KShs millions
	2022	2021	2022	2021
Cost	4,615	4,615	4,081	4,081
Accumulated depreciation	(1,961)	(1,852)	(1,315)	(1,282)
Net book amount	<u>2,654</u>	<u>2,763</u>	<u>2,766</u>	<u>2,799</u>

Included in property, aircraft and equipment of Group and Company are assets with a cost of KShs 30,187 million (2021: KShs 28,441 million) and KShs 29,730 million (2021: KShs 27,740 million) respectively that are fully depreciated. The notional annual depreciation of these assets would have been KShs 4,595 million (2021: KShs 4,388 million) and KShs 4,510 million (2021: KShs 4,277 million) respectively.

Incomplete projects relate to aircraft, property and other equipment yet to be available for use.

Also included in land and buildings for Group and Company are properties that are the subject of court disputes valued at KShs 311 million (2021: KShs 248 million). The Group and Company are the defendants in several legal suits in which the claimants are claiming ownership of the lands. Based on the legal advice and information currently available, the Directors do not expect any significant amounts to crystallize from the assessments. The Directors have disclosed the general nature of the dispute as they do not want to prejudice the position of the Group and Company over these matters that are currently in court.

Impairment assessment

The Group and Company performed an impairment assessment of its owned aircrafts and related equipment at the end of year by comparing the recoverable amounts of the assets against their carrying value in the statement of financial position. Similar to prior years, the recoverable amount was based on fair value less costs to dispose of the aircrafts and related equipment by an independent external expert, mba Aviation (USA). The basis of valuation was market prices based on recent transactions discounted for the Covid-19 related risks, age and condition of the equipment.

The recoverable amount of the aircrafts was higher than the carrying value except for four aircrafts for which an impairment of KShs 461 million was charged to the profit or loss account.

The fair valuation falls under level 3 of the fair value hierarchy as the inputs were not based on observable market inputs. There was no change in the valuation technique during the year.

Assets pledged as security

The net book value of aircraft and land and buildings charged as security for loan facilities obtained to finance their purchase is 58,557 million and 4,125 million (2021: 63,146 million and 4,189 million respectively) at the end of the year. Details of the outstanding loan facilities are disclosed in note 25.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 PROPERTY, AIRCRAFT AND EQUIPMENT (Continued)

Fair value measurement of the Group's and Company's land and buildings

The Group's and Company's land and buildings were revalued at 31 December 2022 by an independent valuer, Quince Real Estate Limited. Quince Real Estate Limited are members of the Institute of Valuers of Kenya and they have appropriate qualifications and recent experience in the fair value measurements of properties in the relevant locations. The valuation conforms to International Valuation Standards (IVS), Institution of Surveyors of Kenya (ISK) guidelines and was based on open market value on arm's length terms.

The fair value of the land was determined based on the sales comparison/market approach that reflects recent transaction prices for similar properties.

The fair value for the buildings was determined using the depreciated replacement cost approach. This valuation method was used because there isn't market data available on sale of airline type of property - as such transactions are not common in this market. There has been no change in the valuation technique during the year.

The Group assessed land and buildings for impairment considering the prevailing conditions in the industry. The Group determined that there were no changes to the assumptions about the future use of the assets, specifically the remaining useful lives and the residual values, hence no impairment was recognised.

Details of the fair value hierarchy for the Group's and Company's property carried at fair value as at 31 December 2022 and 31 December 2021 are as follows:

	Level 1 KShs millions	Level 2 KShs millions	Level 3 KShs millions	Total KShs millions
31 December 2022				
Group				
Land and buildings	-	-	-	11,786
				<u>11,786</u>
Company				
Land and buildings	-	-	-	11,207
				<u>11,207</u>
31 December 2021				
Group				
Land and buildings	-	-	-	9,759
				<u>9,759</u>
Company				
Land and buildings	-	-	-	9,212
				<u>9,212</u>

There were transfers between the levels during the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 INTANGIBLE ASSETS

Intangible assets consist of:

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
	Landing slot	2,561	2,561	2,561
Computer systems and software	374	335	356	331
	<hr/>	<hr/>	<hr/>	<hr/>
	2,935	2,896	2,917	2,892

(a) Intangible assets - landing slot

The Group has rights to a landing slot at the London Heathrow International Airport to enable daily afternoon landings and departures on the Nairobi - London route. The rights obtained to the use of the slot are for an indefinite period as per the nature of the asset and the operationalising agreements. The slot was obtained in 2017 as an in-kind contribution from KLM Royal Dutch Airlines in exchange for ordinary shares in the Company.

(b) Intangible assets - computer systems and software

Intangible assets - software

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
At start of year	335	296	331	288
Additions	19	-	2	-
Disposal	-	(7)	-	(7)
			190	
Transfer from property, aircraft and equipment (Note 14)	190	193		193
Amortisation during the year	(170)	(147)	(167)	(143)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	374	335	356	331

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
Cost	5,455	5,267	5,282	5,090
Amortisation	(5,081)	(4,932)	(4,926)	(4,759)
Net book value	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December	374	335	356	331

Management performed an impairment assessment on the Group's intangible assets considering the prevailing conditions in the industry. No impairment charge was identified as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 RIGHT-OF-USE-ASSETS

(a) Right-of-use assets

Group

	Aircraft and related equipment KShs millions	Buildings KShs millions	Total KShs millions
Carrying amount:			
At 1 January 2021	49,929	1,310	51,239
Modifications	(2,223)	-	(2,223)
Amortisation charge for the year	(7,925)	(414)	(8,339)
Termination	(276)	-	(276)
At 31 December 2021	39,505	896	40,401
At 1 January 2022	39,505	896	40,401
Additions	744	92	836
Modifications	(1,969)	201	(1,768)
Unrealised exchange difference	275	-	275
Amortisation charge for the year	(6,662)	(396)	(7,058)
At 31 December 2022	31,893	793	32,686
Company			
Carrying amount:			
At 1 January 2021	41,673	891	42,564
Modifications	(2,223)	-	(2,223)
Termination	(277)	-	(277)
Amortisation charge for the year	(6,707)	(283)	(6,990)
At 31 December 2021	32,466	608	33,074
At 1 January 2022	32,466	608	33,074
Modifications/renewal in the year	(648)	77	(571)
Amortisation charge for the year	(5,859)	(267)	(6,126)
At 31 December 2022	25,959	418	26,377

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 RIGHT-OF-USE-ASSETS (Continued)

(a) Right of use assets (continued)

The Group and Company leases several assets including buildings and aircraft and related equipment. The average lease term for aircraft is 10 to 12 years, engines is 7 years and buildings are 5 to 13 years.

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 Group and Company in respect to dividend pay outs, borrowings or further leasing.

Impairment assessment

The slow recovery from the impact of Covid-19 pandemic required the Group to perform an impairment test on right-of-use assets for leased aircrafts and buildings. The impairment review was carried out at the 'cash-generating unit' (CGU) level, defined as the smallest identifiable group of assets, liabilities and associated intangible assets that generate cash inflows that are largely independent of the cash flows from other assets or group of assets. The impairment review was performed on the network airline operations CGU, including passenger, freighter and charter operations, as well as all related ancillary operations.

The recoverable amount of the network airline operations has been measured based on the value-in-use, using a discounted cash flow model. Cash flow projections are based on the business plan covering the life of individual aircrafts. Cash flows for the impairment assessment period are projected to increase in line with the long-term growth rate of the main economies in which the Group operates. The following key assumptions were made in calculation of value-in-use:

- Weighted Average Cost of Capital (WACC) discount rate of 7.20%.
- According to IATA, pent demand, lifting travel restrictions will see Global passenger numbers reach 83% of Pre-pandemic levels in 2023.
- In Africa, low vaccinations slowed the region's air travel recovery, however some catching up is likely to happen in 2023 contributing to improved financial performance.
- Continuous growth in the contribution of the cargo revenues from the current 12% to 20% in the medium term.
- Passenger revenues are forecasted to grow to about 98% of pre-Covid levels in 2023 and thereafter grow at an average rate of 5% per annum for the next five years.

Amounts recognised in the profit and loss are as follows:

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs million
Amortisation of right-of-use assets	7,058	8,339	6,126	6,990
Interest on lease liabilities	4,071	4,141	3,557	3,507
Expenses relating to short term leases	1,938	437	2,111	399
Income from sub-leasing of aircrafts	(2,833)	(3,059)	(2,832)	(3,059)
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(a) Right of use assets (continued)

Lease modifications and terminations

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. If a lease continues to exist, the lease modification can result in a separate lease or a change in the accounting for the existing lease.

The exercise of an existing purchase option or renewal option or a change in the assessment of whether such options are reasonably certain to be exercised are not lease modifications but can result in the remeasurement of lease liabilities and right-of-use assets.

During the year 2022, the group renegotiated terms of its lease contracts which resulted to an increase in lease liability and right-of-use assets of KShs 2,275 million (2021 -nil) as well as lease terminations which resulted in a decrease of KShs 2,962 million (2021 nil).

Impact of the modifications in the profit and loss are as follows:

	2022 KShs millions	2021 KShs millions
Amortisation of right-of-use assets	(253)	-
Interest on lease liabilities	120	-
Termination expenses	1,980	-
	<hr/>	<hr/>

(b) Return condition assets

Movement in return condition assets is as follows:

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
At start of year	3,472	2,293	1,334	1,703
Additions	6,875	2,588	6,310	718
Amortisation to profit or loss	(1,344)	(1,409)	(762)	(1,087)
At end of year	<hr/>	<hr/>	<hr/>	<hr/>
	9,003	3,472	6,882	1,334

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INVESTMENTS

(a) Investment in subsidiaries - Company

Details of investment	Country of incorporation	Activity	2022	2021	2022	2021
			% of equity interest	KShs million	Carrying Amount	KShs million
Kenya Airfreight Handling Limited (2,550,000 shares of KShs 20 each)	Kenya	Cargo handling for perishable products	51%	51%	51	51
JamboJet Limited (1,000,000 shares of KShs 606 each)	Kenya	Local passenger air transport	100%	100%	**	**
Kencargo Airlines International Limited (1,000,000 shares of KShs 20 each)	Kenya	Dormant	100%	100%	*	*
African Cargo Handling Limited (5,753,822 shares of KShs 100 each)	Kenya	Cargo handling	100%	100%	***384	***384
Fahari Aviation (5,000 shares of KShs 20 each)	Kenya	Drone operations and training	100%	100%	-	-
					435	435

* The investment in Kencargo Airlines International Limited is fully impaired since the Company has been inactive thus casting doubt on the recoverability and valuation of the investment. The investment was impaired by KShs 20 million.

** The investment in Jambojet Limited is fully impaired by KShs 606 million.

*** The purchase of African Cargo Handling Limited was below the net identifiable assets resulting in a bargain purchase.

The movement in the impairment of investment in subsidiaries is as follows:

	2022	2021
	KShs millions	KShs millions
At start of year	626	626
Impairment charge	-	-
	626	626
At end of year	626	626

During the year, the Company did not recognise an impairment charge on any of the subsidiaries (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INVESTMENTS (Continued)

The summarised financial information of the subsidiaries is as shown below:

	Current assets		Non-current assets		Current liabilities		Non-current liabilities	
	2022	2021	2022	2021	2022	2021	2022	2021
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
	millions	millions	millions	millions	millions	millions	millions	millions
Kenya Airfreight Handling Limited	734	727	256	133	732	673	176	56

	Revenues		Profit/(loss) before tax		Total comprehensive income	
	2022	2021	2022	2021	2022	2021
	KShs	KShs	KShs	KShs	KShs	KShs
	millions	millions	millions	millions	millions	millions
Kenya Airfreight Handling Limited	278	269	16	49	12	34

(b) Investments in associates - Group and Company

(i) African Tours and Hotels Limited:

	2022	2021
	KShs	KShs
	millions	millions
African Tours and Hotels Limited:	2	2
(100,398 ordinary shares of KShs 20 each)		
Less: Impairment on investment in associate	(2)	(2)
	-	-
	-	-
	-	-

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

(ii) Precision Air Services Limited:

	2022	2021
	KShs	KShs
	millions	millions
66,157,350 ordinary shares of KShs 3.48 (TShs 20) each	230	230
Less: Impairment of investment in associate	(230)	(230)
	-	-
	-	-
	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 INVESTMENTS (Continued)

The summarised financial information of the associate is set out below:

	2022 KShs millions	2021 KShs millions
Current assets	2,412	3,969
Non-current assets	1,275	3,013
	<hr/>	<hr/>
Total assets	3,687	6,982
	<hr/> <hr/>	<hr/> <hr/>
Current liabilities	(14,594)	(13,041)
Non-current liabilities	(13,698)	(12,656)
	<hr/>	<hr/>
Total liabilities	(28,292)	(25,697)
	<hr/> <hr/>	<hr/> <hr/>
Total revenue for the year	5,883	3,325
Loss before tax for the year	(1,826)	(2,413)
Net Total comprehensive loss for the year	(1,857)	(2,430)
	<hr/>	<hr/>

Kenya Airways Plc owns 41.23% equity interest in Precision Air Services Limited. The investment was fully impaired in 2013 as the Directors do not expect the value of the investment to be recovered.

18 AIRCRAFT DEPOSITS - Group and Company

	2022	2021
	KShs millions	KShs millions
Deposits for leased aircrafts	3,703	2,777
Deposits paid towards acquisition of aircraft	310	280
Provision for purchase option expiry	(310)	-
	3,703	3,057
	3,703	3,057

The deposits relate to lease of aircraft and engines of Boeing 737's, 787's and Embraer E190's and are carried at amortised cost. The deposits paid towards acquisition of aircraft represent amounts paid to Boeing Corporation for the option to purchase or lease aircrafts in the future. A provision of KShs 310 million was made in the year as a result of expiry of a purchase option the company had in place with Boeing Corporation. The Company is however in talks with Boeing to further extend the validity of the options.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 AIRCRAFT DEPOSITS - Group and Company (Continued)

During the year, additional deposits were paid to aircraft lessors as part of lease restructuring. Refunds mainly relate to deposits that were held for a B777-300 aircraft whose lease was terminated.

	2022 KShs millions	2021 KShs millions
At start of year	3,057	3,703
Additions	4,109	295
Refunds in the year	(3,240)	(1,057)
Amortisation charge to profit or loss	(417)	(3)
Currency translation differences	504	119
Provision for purchase option expiry	(310)	-
	<hr/>	<hr/>
At end of year	3,703	3,057
	<hr/>	<hr/>

19 INVENTORIES - GROUP AND COMPANY

	2022 KShs millions	2021 KShs millions
Aircraft consumables	3,281	3,188
Other inventories	326	232
Provisions for obsolescence	(1,334)	(1,268)
	<hr/>	<hr/>
	2,273	2,152
	<hr/>	<hr/>

The cost of inventories recognised as an expense and included in the Group's and Company's 'Direct costs' amounted to KShs1,021 million (2021: KShs 957 million).

The movement in provision for obsolete inventories is as follows:

	2022 KShs millions	2021 KShs millions
At start of year	1,268	1,269
Increase/(Decrease) in provision during the year	66	(1)
	<hr/>	<hr/>
At end of year	1,334	1,268
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
Trade receivables	13,589	8,545	12,568	8,263
<i>Less:</i> Provision for expected credit losses	(3,779)	(2,443)	(3,056)	(2,362)
	9,810	6,102	9,512	5,901
Due from related parties (Note 33(b))	69	86	26,614	22,960
Prepayments and other receivables	4,965	3,455	4,055	2,691
<i>Less:</i> Provision for expected credit losses	(320)	(310)	(942)	(370)
	14,524	9,333	38,789	31,182

The movement in the provision for expected credit losses of trade receivables, prepayments, other receivables and amounts due from related companies is as follows:

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
At start of year	2,753	2,223	2,732	2,346
Charge to profit or loss	1,346	530	1,266	386
At end of year	4,099	2,753	3,998	2,732

21 PREPAID MAINTENANCE ASSETS

The movement in the prepaid maintenance asset is as follows:

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs. millions	2021 KShs. millions
At start of year	6,823	6,105	5,148	4,892
Additions	8,066	2,528	7,355	2,447
Reimbursements	-	(1,065)	-	(1,065)
Charge to profit or loss	(1,776)	(1,195)	(1,437)	(1,195)
Currency translation differences	821	450	671	70
At end of year	13,934	6,823	11,737	5,149

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 SHARE CAPITAL - GROUP AND COMPANY

(a) Share capital and share premium

	2022 KShs millions	2021 KShs millions
Issued and fully paid:		
5,823,902,621 ordinary shares of KShs 1 each	5,824	5,824

The movement in the share capital and share premium is as follows:

	Issued and fully paid No. of shares million	Share capital KShs millions	Share premium KShs million	Total KShs millions
At 1 January 2020 and 31 December 2021	5,824	5,824	49,223	55,047
At 1 January 2021 and 31 December 2022	5,824	5,824	49,223	55,047

(b) Mandatory convertible notes

On 14 November 2017, as part of its balance sheet restructuring, the Company issued the Government of Kenya and KQ Lenders Company 2017 Limited mandatory convertible notes of KShs 7,744 million (USD 75 million) and KShs 5,163 million (USD 50 million) respectively. The Government of Kenya note was issued at zero interest rate while the KQ Lenders Company 2017 Limited mandatory convertible note will earn an interest of 5.11% in year 1 to year 5, 15.34% in year 6 to year 7 and 25.56% in year 8 to year 10.

The notes are mandatorily convertible to equity shares in year 10 but can be converted to equity anytime within the 10 years. On conversion to equity, the Government of Kenya will be issued with 995,254,143 ordinary shares at KShs 7.78 per share while the KQ Lenders Company 2017 Limited will be issued with 663,502,762 ordinary shares at KShs 7.78 per share.

The convertible note issued to the Government of Kenya is considered an equity instrument while the note issued to KQ Lenders Company 2017 Limited is considered a compound instrument that contains, a liability element and an equity element. The equity element is presented in equity under the shareholders' funds while the liability element has been presented in non-current liabilities under borrowings.

	2022 KShs millions	2021 KShs millions
KQ Lenders Company 2017 Limited equity component	1,886	1,886
Government of Kenya mandatorily convertible loan	7,744	7,744
Equity component	9,630	9,630

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 SHARE CAPITAL - GROUP AND COMPANY (Continued)

(c) Treasury shares

Treasury shares represent the shares in Kenya Airways Plc that are held by the Trustees of the Kenya Airways Employee Share Ownership Scheme 2017, a trust set up for the purpose of incentivising certain employees through issuance of shares to employees as part of their remuneration package.

The formation of the scheme was approved at the Extraordinary General Meeting of the Company held on 7 August 2017. Accordingly, the Directors allotted 142,164,558 shares to the scheme for zero cash consideration. The shares are carried at a par value of KShs 1 each.

Under the scheme, eligible employees may be granted the shares at the discretion of the Directors for no cash consideration upon the satisfaction of various conditions as determined by the Directors from time to time. The vesting conditions are yet to be determined by the Board of Directors and as such the shares have been shown as treasury shares until the vesting conditions have been determined.

23 OTHER RESERVES - GROUP AND COMPANY

Other reserves are made up the following reserves:

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
Cash flow hedge reserve - foreign currency	(10,481)	(22,240)	(10,481)	(22,240)
Revaluation surplus	8,391	6,639	8,063	6,353
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,090)	(15,601)	(2,418)	(15,887)

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided in the tables below:

Cashflow hedge reserves	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
At start of year	(22,240)	(18,946)	(22,240)	(18,946)
Loss on hedged exchange differences - borrowings	(6,156)	(2,710)	(6,156)	(2,710)
Loss on hedged exchange differences - lease liabilities	(4,678)	(2,049)	(4,678)	(2,049)
	(10,834)	(4,759)	(10,834)	(4,759)
Reclassification to profit or loss:				
- cessation of hedging relationship	18,120	-	18,120	-
- repayment of borrowings	1,135	523	1,135	523
- repayment of leases	3,338	942	3,338	942
	22,593	1,465	22,593	1,465
	<hr/>	<hr/>	<hr/>	<hr/>
	(10,481)	(22,240)	(10,481)	(22,240)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 OTHER RESERVES - GROUP AND COMPANY (Continued)

Revaluation reserves	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
At start of year	6,639	6,639	6,353	6,353
Revaluation surplus - net	1,752	-	1,710	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,391	6,639	8,063	6,353
	<hr/>	<hr/>	<hr/>	<hr/>

Derivative financial instruments and hedging activities - Group and Company

Non-derivative financial liabilities to hedge foreign currency risk in a cash flow hedge relationship.

The risk management objective of Kenya Airways is to hedge foreign currency risk, which is derived from fluctuation in exchange rates, associated with highly probable forecasted sales denominated in foreign currency. The Group has a significant portion of its revenue in foreign currency (other than KES). This exposure in foreign exchange risk affects the profitability and financial position of the Group due to variation in the foreign exchange rates. The Group's policy is to designate the monthly USD sales as a highly probable forecasted transaction in a hedging relationship based on the risk management strategy of the Group.

The hedged risk is the USD/KES foreign exchange risk in the KES conversion of foreign currency denominated forecasted sales and movement in spot rates. The hedged item is the highly probable foreign currency forecasted sales denominated in USD and the hedging instruments are the foreign currency borrowings in the form of long-term loans from banks and the aircraft lease payments.

Since the critical terms of the hedge relationship are perfectly matching, the Group assesses the ineffectiveness of the hedge relationship monthly.

- a) Details of amount held in other comprehensive income (OCI) and the period during which these are going to be released and affecting the statement of profit & loss:

Cash flow hedging reserve	2022		2021	
	Release	Release	Release	Release
Cash-flow hedges	Closing Values in Hedge reserves	In less than 12 months	After 12 Months	Closing Values in Hedge reserves
Foreign Currency Hedging- Borrowings	(3,828)	(613)	(3,215)	(16,927)
Foreign Currency Hedging- Lease liabilities	(6,653)	-	(6,653)	(5,313)
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 OTHER RESERVES - GROUP AND COMPANY (Continued)

- a) (i) Gain/(loss) recognised in OCI and recycled (amount of gain/(loss) recognised in hedging reserve and recycled during the year 2022)

Cash-flow hedges	Reserve	Opening Balance	Net Amount Recognized in Hedge reserves	Reclassified to the P&L	Closing balance before tax
Non-Derivative financial instruments- Borrowings	Cash flow hedge reserve	(16,927)	(6,156)	19,255	(3,828)
Non-Derivative financial instruments- Lease liabilities	Cash flow hedge reserve	(5,313)	(4,678)	3,338	(6,653)
		(22,240)	(10,835)	22,593	(10,481)

- (ii) Gain/(loss) recognised in OCI and recycled (amount of gain/(loss) recognised in hedging reserve and recycled during the year 2021)

Cash-flow hedges	Reserve	Opening Balance	Net Amount Recognized in Hedge reserves	Reclassified to P&L	Closing balance before tax
Non-Derivative financial instruments- Borrowings	Cash flow hedge reserve	(14,740)	(2,710)	523	(16,927)
Non-Derivative financial instruments- Lease liabilities	Cash flow hedge reserve	(4,206)	(2,049)	942	(5,313)
		(18,946)	(4,759)	1,465	(22,240)

The Company's hedging policy only allows for effective hedge relationships to be established. The effective portion of the hedge is taken to OCI while the ineffective portion of hedge is recognised immediately to the statement of profit or loss under other losses.

During the year, the Government of Kenya initiated a novation process for the guaranteed Tsavo senior loan. Due to the resultant ceasing of the hedge relationship, the Group and Company reclassified to the profit or loss account for the years the accumulated exchange losses in the hedge reserve of KShs 18.1 billion for items to be settled by the Government and also the arrears of Samburu facility ..

(b) Revaluation surplus - Group and Company

The revaluation surplus arose on the revaluation of land and buildings (freehold and leasehold) and is stated net of deferred income tax. The revaluation was done in the year 2022, the surplus is not distributable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 NON-CONTROLLING INTERESTS

The non-controlling interests relate to the portion of equity ownership in Kenya Airfreight Handling Limited attributable to Stamina Group B.V.

	2022 KShs millions	2021 KShs millions
Stamina Group B.V		
At start of year	62	58
Prior year adjustment	(18)	-
Share of profit/(loss) for the year	6	4
At end of year	50	62
Represented by:		
Holding in Kenya Airfreight Handling Limited	49%	49%

25 BORROWINGS - GROUP AND COMPANY

	2022 KShs millions	2021 KShs millions
Loans (Note 25(a))	134,900	104,055
Sovereign guarantee from the Government of Kenya (Note 25(b))	(382)	(580)
Mandatory convertible note - liability component (Note 25(c))	5,670	4,849
Deferred borrowing costs (Note 25(d))	(940)	(1,233)
	139,248	107,091
Made up of:		
Current:		
Payable within one year	39,089	14,012
Non-current:		
Payable after one year	100,159	93,079
	139,248	107,091

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 BORROWINGS - GROUP AND COMPANY (Continued)

(a) Loans

The make-up of the loans is as follows:

		2022		2021	
	Maturities	Average interest rates	KShs millions	Average interest rates	KShs millions
Tsavo Facility - aircraft loans (USD)	2014-2026	3.15%	62,477	1.29%	59,717
Samburu Facility - aircraft loans (USD)	2012-2025	6.91%	13,412	4.84%	13,580
Loan from GoK (USD)	2022-2025	3.00%	2,858	-	-
Loans from GoK (KShs)	2015-2025	3.00%	43,040	3.00%	25,760
Local banks revolving loan (USD)	2018-2027	6.97%	13,113	5.64%	4,998
			134,900		104,055
			_____		_____

The aircraft loans were obtained for the purpose of funding aircraft acquisition, aircraft spare engines and pre-delivery payments for ordered aircrafts. For the purpose of holding collateral for the financiers, the aircrafts were registered in the name of special entities whose equity are held by the security trustees on behalf of the respective financers. The legal title is to be transferred to Kenya Airways Plc once the loans are fully repaid. The special entities are as listed below:

Entity	Bank	Guarantee	Original Tenure of the loan
Tsavo Financing LLC	Private Export Funding Corporation (PEFCO)	Export-Import Bank of the United States of America (Eximbank)	12 years
Samburu Limited	African Export and Import Bank in syndication with Standard Chartered Bank	None	12 years

The local bank facility is a multipurpose revolving loan and letter of credit facility with a total value of USD 175 million which was obtained from the consortium of Kenyan banks after the restructuring in November 2017. They were drawn from Equity Bank Limited, KCB Bank Kenya Limited, NCBA Bank Kenya Limited, I&M Bank Limited, National Bank of Kenya Limited, Cooperative Bank of Kenya, Diamond Trust Bank (Kenya) Limited and Ecobank Limited for financing of working capital requirements.

A corporate guarantee of KShs 1,000 million is in place for the Kenya Airways and Co-operative Bank Ab Initio Programme.

(i) Covenants

The Group and Company has a number of facilities with African Export-Import Bank (Afrexim), Private Export Funding Corporation and the Government of Kenya for the purchase of aircraft and working capital requirements. The facilities contain some financial covenants, which are monitored against the annual audited financial statements. As at 31 December 2022, the Group and Company did not comply with the financial covenants from the Banks being, the unrestricted cash to revenue ratio and the debt service cover ratio. The Group and Company did not obtain waivers from the financers prior to year-end. Consequently, the loan balances for Samburu and Tsavo Junior facilities have been classified as current liabilities.

The loan balances for Tsavo Senior facility have however not been classified as current due to the novation of the facility to the Government of Kenya. This facility is fully guaranteed by the Government of Kenya and as a guarantor, it is responsible for fulfilment of all payment obligations under this facility. As part of the support to the airline during the period of the pandemic, the Government agreed to takeover the payments obligations under this facility for the remaining tenor and on

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 BORROWINGS - GROUP AND COMPANY (Continued)

- (a) *Loans (Continued)*
- (i) *Covenants (Continued)*

lend the same to the Company over a longer period. As at 31st December 2022, the Government of Kenya had paid a total of KShs 2.8 billion (USD 22.97 million) on this facility. These funds have been treated as additional shareholder(GoK) loans to the Company at the same terms as existing shareholder(GoK) loans.

As of 31 December 2022, the Group and Company had not made payments of interest on the Government of Kenya loan as set out in the loan agreements. The Group sought and was granted waiver and deferral on the unpaid interest on the shareholder loan from the Government of Kenya. The Government of Kenya loans attract interest at a rate of 3% per annum payable by the 20th day of June every year. The Government of Kenya granted the company a deferral of payment of interest on the loans until December 2023.

(ii) Maturities of amounts included in loans is as follows:

	2022 KShs millions	2022 KShs millions
The borrowings maturity analysis is as follows:		
Within one year	39,543	14,467
Between two and five years	95,357	84,344
Later than 5 years	-	5,244
	<hr/>	<hr/>
	134,900	104,055
	<hr/>	<hr/>

(iii) The movement in the loans is as follows:

31 December 2022

	Aircraft loans KShs millions	GoK loans KShs millions	Local banks loans KShs millions		Total KShs millions
			KShs millions	KShs millions	
At start of year	73,297	25,760	4,998	104,055	
Additions	-	19,044	7,349	26,393	
Repaid in the year	(5,645)	-	(191)	(5,836)	
Accrued interest	1,709	1,032	208	2,949	
Currency translation differences	6,528	62	749	7,339	
At end of year	75,889	45,898	13,113	134,900	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 BORROWINGS - GROUP AND COMPANY (Continued)

- (i) *Loans (Continued)*
- (iii) *The movement in the loans (Continued)*

31 December 2021

	Aircraft loans	GoK loans	Local banks loans	Total
	KShs millions	KShs millions	KShs millions	KShs millions
At start of year	73,712	11,171	5,419	90,302
Additions	-	14,000	-	14,000
Repaid in the year	(3,188)	-	(884)	(4,072)
Accrued interest	245	589	281	1,115
Currency translation differences	2,528	-	182	2,710
<hr/>				
At end of year	73,297	25,760	4,998	104,055

As part of Government Commitment to support the Airline's resumption of operations following the impact of Covid-19 pandemic, the Government of Kenya advanced a shareholder loan totalling KShs 16.27 billion during the year. This was in addition to KShs 25 billion advanced in 2020 and 2021, making the total loan amount to KShs 41.27 billion. The loan was to enable the airline recover from the impact of Covid-19 and support restructuring of the airline with a view to making the business profitable and sustainable in the long term. The loan is repayable after 5 years and attracts interest at a rate of 3% per annum.

The Government also initiated a novation process for the Government guaranteed debt owed by the Company and paid a total of KShs 2.8 billion (USD 22.97 million) as at 31st December 2022. This has been treated as a shareholder loan to the airline with similar terms as the existing shareholder loans.

Accrued interest for the GoK facility amounts to KShs 1.8 billion. The Group sought and was granted waiver and deferral on the unpaid interest on the shareholder loans from GoK.

The Government loans are subject to Public Finance Management (PFM) Act of 2015 of Kenya.

As part of restructuring, Kshs 7.3 billion was drawn from the revolving facility with Local banks for purposes of aircraft lease restructuring which was completed in the year 2022.

The movement in currency translation differences on hedged borrowings has been dealt with as follows:

	2022 KShs millions	2021 KShs millions
Total currency translation differences on borrowings	(6,156)	(2,710)
Realised on settlement of loans and cessation of hedging relationship	19,255	523
<hr/>	<hr/>	<hr/>
Net hedge effect	13,099	(2,187)
<hr/>	<hr/>	<hr/>
(iv) Analysis of loans by currency:		
Borrowings in US Dollars	91,859	78,295
Borrowings in KES	43,041	25,760
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 BORROWINGS - GROUP AND COMPANY (Continued)

(b) Sovereign guarantee from the Government of Kenya

On 14 November 2017, as part of the balance sheet restructuring, the Government of Kenya (GOK) issued guarantees in the aggregate amount of USD 750,000,000 in favour of Exim Bank and a consortium of Kenyan banks in relation to certain obligations of the Group and Company to Exim Bank and the consortium of Kenyan Banks. The fair value of the guarantee was determined on 14 November 2017 by an independent valuer at USD 13,898,096 (KShs 1,434 million).

In return, Kenya Airways Plc issued the GOK 184,321,067 shares at KShs 7.78 per share. The financial guarantee is measured at amortised cost over the term of the guaranteed loans.

The fair value was determined by an independent valuer who has appropriate qualifications and relevant experience in fair value measurements of such assets. The valuation was determined as the difference of weighted risk-free loan (taking the guarantee into consideration) and weighted risky loan (assuming no guarantee in place). The valuation falls under level 3 of the fair value hierarchy as the inputs are not based on observable market inputs. The movement for the year is presented below:

	2022 KShs millions	2021 KShs millions
Sovereign guarantee from the Government of Kenya - at cost	1,434	1,434
Accumulated amortisation	(1,052)	(854)
	<hr/>	<hr/>
	382	580
	<hr/>	<hr/>

The movement in amortisation of the sovereign guarantee from the Government of Kenya is as follows:

	2022 KShs millions	2021 KShs millions
At start of year	854	656
Charge to profit or loss	198	198
	<hr/>	<hr/>
At end of year	1,052	854
	<hr/>	<hr/>

(c) Mandatory convertible note - liability component

At start of year	4,849	4,501
Accrued interest	444	362
Paid in the year	(72)	(181)
Currency translation differences	449	167
	<hr/>	<hr/>
	5,670	4,849
	<hr/>	<hr/>

(d) Deferred borrowing costs

At start of year	1,232	1,486
Additions	47	73
Charge for the year	(339)	(326)
	<hr/>	<hr/>
At end of year	940	1,233
	<hr/>	<hr/>

The deferred borrowing costs are presented in the statement of financial position as:

Current portion	278	278
Non-current portion	662	955
	<hr/>	<hr/>
	940	1,233
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 BORROWINGS - GROUP AND COMPANY (Continued)

Deferred borrowing costs relate to expenses incurred to obtain financing for the purchase of the Boeing 787-8 and B777-300ER aircrafts, as well as fees paid to banks upon successful restructuring in November 2017 of the short-term loans to longer repayment periods. The costs include commitment, arrangement, consultants, underwriters and guarantee fees. These costs are being amortised over the repayment periods of the various loans.

26 LEASE LIABILITIES

	Group	Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions
At start of year	71,069	81,891	61,520
Modifications	-	(2,177)	-
Terminations	(1,000)	(311)	(609)
Interest expense on lease liabilities	4,085	4,141	3,557
Lease payments	(23,005)	(14,814)	(21,051)
Unhedged foreign exchange differences	980	362	102
Hedged currency translation differences (Note 23(a))	4,678	2,049	4,678
Short-term concessions	18	(72)	-
 At end of year	 56,825	 71,069	 48,197
	 <hr/>	 <hr/>	 <hr/>

The movement in exchange differences on hedged leases have been dealt with as follows:

	2022 KShs millions	2021 KShs millions
Total exchange differences on leases	(4,678)	(2,049)
Realised on settlement of leases	3,338	942
 	 <hr/>	 <hr/>
	(1,340)	(1,107)
 <hr/>		

Maturity analysis

	Group	Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions
Year 1	15,585	18,583	13,765
Year 2	11,987	15,338	10,328
Year 3	10,692	14,286	9,029
Year 4	8,812	11,002	7,072
Year 5	7,028	7,702	5,601
Year 6 and onwards	26,084	18,452	25,377
 	 <hr/>	 <hr/>	 <hr/>
Undiscounted lease payments at end of year	80,188	85,363	71,172
Less: unearned interest	(23,363)	(14,294)	(22,975)
 	 <hr/>	 <hr/>	 <hr/>
	56,825	71,069	48,197
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 LEASE LIABILITIES (Continued)

Analysed as:

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
Current	13,130	15,085	11,487	12,330
Non-current	43,695	55,984	36,710	49,190
	56,825	71,069	48,197	61,520

27 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%). The deferred income tax liability/(asset) is made up as follows:

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
Other deductible differences	(2,775)	(2,091)	(2,571)	(1,959)
Tax losses carried forward	(47,640)	(34,670)	(45,911)	(33,121)
Unrealised exchange losses	(763)	(81)	(685)	(124)
Hedge reserves	(4,492)	(9,531)	(4,492)	(9,531)
Property, aircraft, and equipment - at cost	3,959	4,669	3,999	4,729
Revaluation surplus on property	3,597	2,846	3,456	2,723
Right-of-use assets	(7,641)	(9,414)	(6,546)	(8,534)
	—	—	—	—
Net deferred income tax asset	(55,755)	(48,272)	(52,750)	(45,817)
Deferred income tax assets unrecognised	58,308	50,182	56,206	48,540
	—	—	—	—
	2,553	1,910	3,456	2,723
	—	—	—	—

Presented in the statement of financial position as follows:

Deferred income tax asset	(903)	(813)	-	-
Deferred tax income liability	3,456	2,723	3,456	2,723
	—	—	—	—
	2,553	1,910	3,456	2,723
	—	—	—	—

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 DEFERRED INCOME TAX (Continued)

The movement on the deferred tax account is as follows:

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
At start of year	1,910	2,123	2,723	2,723
Credit to profit or loss (Note 11(a))	(108)	(213)	733	-
Deferred income tax on revaluation surplus of property	751	-	-	-
At end of year	2,553	1,910	3,456	2,723

A deferred income tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At 31 December 2022, Kenya Airways Plc and Jambojet Limited estimated/assessed tax losses amounted to KShs 153,036 million and KShs 3,267 million respectively (2021: KShs 110,404 million and KShs 2,930 million respectively), which have not been fully recognised in the financial statements.

The Group and Company have not recognised deferred tax assets in the financial statements in view of the uncertainty regarding the ability of the Company to generate sufficient taxable profits in the foreseeable future.

28 PROVISIONS FOR LIABILITIES

(a) Group

Year ended 31 December 2022	Return condition provision	Redundancy provision	Asset retirement obligation	Other provisions	Total provisions
	KShs millions	KShs millions	KShs millions	KShs millions	KShs millions
	7,316	435	15	1,188	8,954
At start of year	7,316	435	15	1,188	8,954
Increase in the year	6,907	-	-	-	6,907
Charged to profit or loss	-	-	-	(171)	(171)
Utilised in the year	(665)	(4)	-	(25)	(694)
Impact of discounting	(170)	-	-	-	(170)
Effect of currency translation	671	-	-	-	671
At end of year	14,059	431	15	992	15,497

Split as follows:

Current	1,656	431	-	992	3,079
Non-current	12,403	-	15	-	12,418
At 31 December 2022	14,059	431	15	992	15,497

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 PROVISIONS FOR LIABILITIES (Continued)

(a) Group (Continued)

Year ended 31 December 2021

	Return condition provision KShs mil- lions	Redundancy provision KShs millions	Asset retirement obligation KShs millions	Other provi- sions KShs millions	Total provisions KShs millions
At start of year	5,381	443	14	1,185	7,023
Increase in the year	2,376	-	1	-	2,377
Charged to profit or loss	-	32	-	3	35
Utilised in the year	(258)	(40)	-	-	(298)
Impact of discounting	(295)	-	-	-	(295)
Effect of currency translation	112	-	-	-	112
At end of year	<u>7,316</u>	<u>435</u>	<u>15</u>	<u>1,188</u>	<u>8,954</u>
Split as follows:					
Current	1,190	435	-	1,188	2,813
Non-current	6,126	-	15	-	6,141
At 31 December 2021	<u>7,316</u>	<u>435</u>	<u>15</u>	<u>1,188</u>	<u>8,954</u>

(b) Company

Year ended 31 December 2022

	Return condition provision KShs mil- lions	Redundancy provision KShs millions	Asset retirement obligation KShs millions	Other provisions KShs millions	Total provisions KShs millions
At start of year	3,937	344	12	1,175	5,468
Increase in the year	6,310	-	-	-	6,310
Charged to profit or loss	-	-	-	(186)	(186)
Utilised in the year	(665)	(4)	-	(23)	(692)
Impact of discounting	(1)	-	-	-	(1)
Exchange differences	358	-	-	-	358
At end of year	<u>9,939</u>	<u>340</u>	<u>12</u>	<u>966</u>	<u>11,257</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 PROVISIONS FOR LIABILITIES (Continued)

(b) Company (Continued)

Split as follows:

	Return condition provision KShs millions	Redundancy provision KShs millions	Asset retirement obligation KShs millions	Other provisions KShs millions	Total provisions KShs millions
Current	717	340	-	965	2,022
Non-current	9,223	-	12	-	9,235
At 31 December 2022	9,940	340	12	965	11,257

Year ended 31 December 2021

	Return condition provision KShs millions	Redundancy provision KShs millions	Asset retirement obligation KShs millions	Other provisions KShs millions	Total Provisions KShs millions
At start of year	3,546	348	12	1,185	5,091
Increase in the year	415	-	-	-	415
Charged to profit or loss	-	36	-	(10)	26
Utilised in the year	(112)	(40)	-	-	(152)
Impact of discounting	(40)	-	-	-	(40)
Exchange differences	128	-	-	-	128
At end of year	3,937	344	12	1,175	5,468

Split as follows:

Current	325	344	-	1,175	1,844
Non-current	3,612	-	12	-	3,624
At 31 December 2021	3,937	344	12	1,175	5,468

(i) Return condition provisions

Return condition provision relates to a provision for an unavoidable contractual obligation to return the aircraft in certain conditions at the date of return. In order to fulfil these return conditions, major overhauls are required to be conducted on a regular basis. Accordingly, estimated costs of major overhauls for aircraft and engines under leases are accrued and charged to the profit or loss over the estimated period between overhauls using the ratios of actual flying hours/cycles and estimated flying hours/cycles between overhauls. Differences between the estimated costs and the actual costs of overhauls are included in the profit or loss in the period of overhaul. The return condition provision is calculated using a model which incorporates several assumptions which include the past and expected future utilisation and maintenance patterns of the aircraft and engines, expected cost of maintenance at the time it is estimated to occur and discount rate applied to calculate the present value of the future liability.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 PROVISIONS FOR LIABILITIES (Continued)

(ii) Redundancy provisions

The Group implemented a staff restructuring program in the year 2012 aimed at improving operational efficiency. The program affected 599 employees and as at 31 December 2022 a provision of KShs 432 million (2021: KShs 436 million) is held to cover the redundancy payments arising from the accompanying litigation. The unionisable staff had moved to the Industrial Court to block the restructuring and the Court ruled in their favour, ordering the reinstatement of affected employees. The Group appealed against the decision and on 11 July 2014, the Court of Appeal ruled that the Group was justified in declaring the redundancy but had failed to meet the statutory threshold of procedural fairness. The employees challenged the decision further at the Supreme Court. At Supreme court, the 2014 decision was upheld.

(iii) Asset retirement obligations

Under the terms of certain property lease arrangements, the Group and Company has a contractual obligation to restore the property in a certain condition at the end of the lease term.

(iv) Other provisions

Other provisions relate to various legal cases brought against the Group and Company which are pending determination by the courts. Provisions are recognised when the Group has determined that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Management has made appropriate provisions in respect of certain cases.

29 SALES IN ADVANCE OF CARRIAGE

	Group		Company	
	2022	2021	2022	2021
	KShs	KShs	KShs	KShs
	millions	millions	millions	millions
Passengers	18,840	10,757	18,406	10,539
Freight	111	135	111	135
	18,951	10,892	18,517	10,674

The reconciliation of the sales in advance of carriage is as follows:

	Group		Company	
	2022	2021	2022	2021
	KShs	KShs	KShs	KShs
	millions	millions	millions	millions
At the beginning of year	10,892	13,908	10,674	13,789
Total tickets sold	95,046	42,089	88,541	38,138
Total tickets uplifted	(84,232)	(40,626)	(78,054)	(36,852)
Expired tickets recognised in revenue	(2,755)	(4,479)	(2,644)	(4,401)
	18,951	10,892	18,517	10,674

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
Trade payables	33,204	26,272	31,161	23,410
Other payables and accrued expenses	4,415	6,010	3,559	5,454
Accrued leave	1,929	2,364	1,860	2,320
Due to related parties (Note 33)	3,283	3,439	28,738	27,675
Unclaimed dividends (Note 13)	76	78	76	78
	42,907	38,163	65,394	58,937

31 DERIVATIVE FINANCIAL INSTRUMENT - GROUP AND COMPANY

The Group and Company entered into short term currency swap agreements with commercial banks for purchase of foreign currency which were not fully settled during the year. The unrealised fair value loss on the currency swap contracts at year end amounted to KShs 118 million. The gross outstanding amount of the currency swap contracts as at 31 December 2022 was KShs 6.17 billion.

	2022	2021
	KShs millions	KShs millions
Unrealised foreign exchange loss on currency swap	118	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 (a) CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

	Group		Company	
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
Loss before tax	(38,315)	(16,028)	(37,007)	(14,246)
Adjustments for:				
Depreciation of property and equipment (Note 14)	6,473	6,388	6,407	6,323
Impairment of assets (Note 14)	461	129	461	129
Amortisation of intangible assets (Note 15)	170	147	167	143
Amortisation of return condition asset (Note 16)	1,344	1,409	762	1,087
Amortisation of right-of-use assets (Note 16)	7,058	8,339	6,126	6,990
Accrued interest on loans (Note 25)	2,949	1,115	2,949	1,115
Amortisation of deferred expenditure (Note 25(d))	339	326	339	326
Amortisation of sovereign guarantee (Note 26 (b))	198	198	198	198
Amortisation of aircraft deposits (Note 18)	417	3	417	3
Unrealised exchange gain on aircraft deposits (Note 18)	(504)	(119)	(504)	(119)
Provision for aircraft deposits (Note 18)	310	-	310	-
Unrealised exchange gain on lease liabilities (Note 26)	980	362	102	40
Unrealised gain on right of use asset (Note 16)	(275)	-	-	-
Discount on Lease liabilities (Note 26)	18	-	-	-
Unrealised exchange gain on mandatory convertible debt (Note 25(c))	449	167	449	167
Realised exchange loss on borrowings (Note 25)	19,255	523	19,255	523
Realised exchange loss on leases (Note 26)	3,338	942	3,338	942
Interest expense on borrowings (Note 9)	6,385	4,076	6,385	4,072
Interest expense on lease liabilities (Note 9)	4,085	4,141	3,557	3,507
Interest income (Note 9)	(194)	(162)	(247)	(167)
Changes in working capital items:				
Inventories	(121)	21	(121)	21
Trade and other receivables	(5,191)	554	(7,607)	(2,137)
Sales in advance of carriage	8,059	(3,016)	7,843	(3,115)
Trade and other payables	4,744	620	6,457	1,646
Derivative Financial Instrument	118	-	118	-
Prepaid maintenance assets	(7,111)	(718)	(6,589)	(257)
Provisions for liabilities	266	(1,388)	178	(692)
Cash generated from operations	15,782	8,029	13,743	6,499

NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 (b) CASH AND BANK BALANCES

For purposes of statement of cash flows, cash and cash equivalents as at 31 December comprise the following;

	Group		Company	
	2022	2021	2022	2021
	KShs	KShs	KShs	KShs
	millions	millions	millions	millions
Cash at bank and in hand	7,668	4,819	7,538	4,531
Short -term bank deposits	1,965	1,276	1,965	1,276
	9,633	6,095	9,503	5,807

33 RELATED PARTY TRANSACTIONS

(a) Nature of related party transactions and balances

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

(i) Group

KLM Royal Dutch Airlines (KLM)

KLM holds 7.8% (2021:7.8%) equity interest in Kenya Airways Plc.

Precision Air Services Limited

Kenya Airways Plc holds 41.23% (2021: 41.23%) equity interest in Precision Air Services Limited with code share on the route between Nairobi and Dar es Salaam.

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

Management fee income	2022	2021
	KShs	KShs
	millions	millions
African Cargo Handling Limited	827	770
	=====	=====
Jambojet Limited	57	48
	=====	=====
Fahari Aviation Limited	28	-
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 RELATED PARTY TRANSACTIONS (Continued)

(i) Company

		2022 KShs millions	2021 KShs millions
Handling expenses			
African Cargo Handling Limited		120	110
Direct Costs			
Jambojet Limited		129	100
		<hr/>	<hr/>

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

(i) Due from related companies

	Group	Company		
	2022 KShs millions	2021 KShs millions	2022 KShs millions	2021 KShs millions
Precision Air Services Limited	69	86	69	86
Kenya Airfreight Handling Limited	-	-	181	173
African Cargo Handling Limited	-	-	22,646	21,519
Jambojet Limited	-	-	2,564	1,121
Kencargo International Airlines Limited	-	-	61	61
Fahari Aviation Limited	-	-	81	-
	<hr/>	<hr/>	<hr/>	<hr/>
Provision for expected credit losses	69	86	25,602	22,960
	(69)	(86)	(130)	(147)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	25,472	22,813
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 RELATED PARTY TRANSACTIONS (Continued)

The movement in the provision for expected credit losses is as follows:

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
At start of year	86	88	147	149
Write off during the year	-	-	-	-
Reversal during the year	(17)	(2)	(17)	(2)
	—————	—————	—————	—————
At end of year	69	86	130	147
	—————	—————	—————	—————
(ii) Due to related companies				
KLM, Royal Dutch Airlines	3,283	3,439	3,283	3,436
African Cargo Handling Limited	-	-	25,313	24,189
Kenya Airfreight Handling Limited	-	-	50	50
Jambojet Limited	-	-	92	-
	—————	—————	—————	—————
	3,283	3,439	28,738	27,675

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 Plc. It also includes a loan amount of KShs 50 million secured by KAHL from Kenya Airways Plc. The loans was advanced at a fixed rate of 10% per annum. The related party balances are interest free and have no fixed repayment terms.

The amounts due from African Cargo Handling Limited (ACHL) relate to cargo freight collected by ACHL on behalf of Kenya Airways and the expenses paid by Kenya Airways on behalf of ACHL. The amounts due to ACHL relate to cash transfers from ACHL to Kenya Airways and the ACHL IATA billings. The related party balances are interest free and have no fixed repayment terms.

The amounts due from Jambojet to Kenya Airways, relate to management fees, loans and interline balances from passenger uplifts on behalf of Jambojet. The related party balances are interest free and have no fixed repayment terms while the loans are at a fixed interest rate of 9.5% per annum.

The amounts due from Precision Air relate to payroll and insurance costs due to Kenya Airways. These costs are paid by Kenya Airways then recharged. The balances are interest free and have no fixed repayment terms.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 RELATED PARTY TRANSACTIONS (Continued)

(ii) Remuneration of Directors and key management compensation

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

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
Short term employment benefits:				
Salaries and other benefits	323	262	291	273
Non-monetary benefits	1	1	1	-
Termination benefits	-	40	-	-
	324	303	292	273

The Group's Directors' remuneration included in key management compensation above comprise:

	Group		Company	
	2022	2021	2022	2021
	KShs millions	KShs millions	KShs millions	KShs millions
As executives				
As non-executives	54	54	54	54
	27	22	27	22
	81	76	81	76
Non - monetary benefits				
	1	-	1	-
	82	76	82	76

34 COMMITMENTS

As at 31 December 2022, the Group and Company had purchase commitments for aircraft parts and other equipment incidental to the ordinary course of business as follows:

	2022	2021
	KShs millions	KShs millions
Authorised but not contracted for	9,085	5,956

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 OPERATING LEASE ARRANGEMENTS - GROUP AND COMPANY

Operating leases, in which the Group is the lessor, relate to property and owned aircraft owned by the Group with lease terms of between 2 to 5 years, with extension options. It also includes aircraft subleased to other airlines. The lessee do not have an option to purchase the property or aircraft at the expiry of the lease period.

Maturity Analysis

	2022	2021
	KShs millions	KShs millions
Year 1	1,758	9,100
Year 2	1,475	679
Year 3	772	43
Year 4	-	1
At end of the year	4,005	9,823

During the year, the Group and Company recognised aircraft lease income of KShs 1,347 million (2021: KShs 1,311 million) and property lease income of KShs 156 million (2021: KShs 140 million) and aircraft sub-lease income of KShs 2,832 million (2021: KShs 3,059 million) in profit or loss in respect of operating leases income.

36 CONTINGENT LIABILITIES - GROUP AND COMPANY

(a) Contingent liabilities

	2022	2021
	KShs millions	KShs millions
Guarantees	9,138	15,356
Litigation	1,187	65
	—	—
	10,325	15,421
	—	—

(b) Guarantees

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 CONTINGENT LIABILITIES - GROUP AND COMPANY (Continued)

(c) Litigation

Douala crash - KQ507

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

A further claim relating to the Mengwetuh family has been brought before the Court in Cameroon which is being defended.

Site clear up

After the accident there had been concerns locally that the accident site had not been made sufficiently safe and secure. On 30 December 2008, the Cameroon Prime Minister appointed a local committee to oversee a clean-up and restoration of the site of the accident. Kenya Airways was asked to nominate a representative and did so. To the Directors knowledge, there have been no further developments since this date regarding the site clear up and it now seems unlikely there will be any.

Criminal action in Cameroon

A Criminal investigation into the accident was opened in the Court of First Instance in Ndokoti, Douala, Cameroon in November 2009. This was separate and distinct from the investigation undertaken by the Official Accident Investigation Commission in accordance with Annex 13 Chicago Convention. There have been no further developments and it seems unlikely there will be any that will materialise.

Other material litigation

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

PRINCIPAL SHAREHOLDERS AND SHARE DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2022

Principal shareholders

The ten largest shareholdings in the Company and the respective number of shares held at 31 December 2022 are as follows:

Name of shareholder	Number of shares	% Shareholding
1. Cabinet Secretary to The National Treasury	2,847,844,811	48.90
2. KQ Lenders Company 2017 Limited	2,218,310,169	38.09
3. KLM - Koninklijke Luchtvaart Maatschappij (KLM) Royal Dutch Airlines	451,661,470	7.76
4. The Trustees of the Kenya Airways Employee Share Ownership Scheme 2018	142,164,558	2.44
5. Standard Chartered Nominees Ltd Non-Resident A/c KE11752	29,237,300	0.50
6. Kamau Mike Maina	16,099,735	0.27
7. Shah Tanna, Karishma Vijay Shah-Tanna	3,435,900	0.06
8. Galot International Limited	2,652,370	0.05
9. Benard, Peter Wainaina	1,195,800	0.02
10. Muhika, Peter Njenga	1,102,400	0.02
11. Other Shareholders	110,198,108	1.89
Total	5,823,902,621	100.00

Distribution of shareholders

	Number of shareholders	Number of shares	% Shareholding
Less than 500 shares	61,698	10,755,678	0.18
501 - 5,000 shares	16,278	21,887,466	0.38
5,001 - 10,000 shares	1,146	8,157,339	0.14
10,001 - 100,000 shares	1,339	35,669,515	0.61
100,001 - 1,000,000 shares	135	31,626,235	0.55
Over 1,000,000 shares	12	5,715,806,388	98.14
Total	80,608	5,823,902,621	100.00

Distribution of shareholders by region

	Number of shareholders	Number of shares	% Shareholding
Foreign Institutions	9	481,961,529	8.28
Foreign Individuals	549	5,888,935	0.10
Local Institutions	3,013	5,223,382,422	89.69
Local Individuals	77,037	112,669,735	1.93
Total	80,608	5,823,902,621	100.00

KENYA AIRWAYS PLC

NOTICE OF THE 47TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that, in accordance with provisions of Articles 39.3 and 51B of the Company's Articles of Association, and provisions of the Companies Act, 2015 (*as amended by The Business Laws (Amendment) (No.2) Act, 2021*), the 47th Annual General Meeting of the Company will be held virtually on **Friday, 30th June 2023 at 9.00 a.m.** to conduct the following business, and, if thought fit, to pass the Resolutions set out below.

Shareholders will be able to register for, access information pertaining to the proposed resolutions, follow the meeting in the manner detailed below and to vote electronically or by proxy. Shareholders will have an opportunity to ask questions during the meeting as detailed below.

ORDINARY BUSINESS

1. To table the proxies and note the presence of a quorum.
 2. To read the notice convening the meeting.
 3. To receive, consider and if approved, adopt the Company's audited Financial Statements for the period ended 31st December 2022 together with the Directors' and Auditors' Reports thereon.

Proposed Resolution:

"THAT the audited Financial Statements including the Balance Sheet for the year ended 31st December 2022, together with the Directors' and Auditors' Reports thereon be and are hereby approved and adopted".

4. To approve the Directors' Remuneration Report for the period ended 31st December 2022.

(As required by the Companies Act, 2015, the Shareholders will be requested to vote at the meeting or in advance of the meeting as set out below)

Proposed Resolution:

"THAT the Directors' Remuneration for the year ended 31st December 2022 as contained in the Annual Report and Financial Statements be and is hereby approved".

5. To elect Directors:
 - a) Dr. Harun Sirima (representative of Cabinet Secretary to the National Treasury) retires in accordance with Article 69 of the Company's Articles of Association, and being eligible, offers himself for re-election.
 - b) Mr. Mohamed Daghar (Principal Secretary Ministry of Transport) retires in accordance with Article 69 of the Company's Articles of Association, and being eligible, offers himself for re-election.
 - c) Ms. Caroline Armstrong retires in accordance with Article 69 of the Company's Articles of Association and is not eligible for re-election having attained the maximum tenure under the Board Charter.
 - d) Mr. Christopher James Buckley having been appointed in accordance with Article 67 of the Company's Articles of Association, retires in accordance with Article 69(2)(i) of the Company's Articles of Association, and being eligible, offers himself for election.
 - e) Mr. David Kabeberi having been appointed in accordance with Article 67 of the Company's Articles of Association, retires in accordance with Article 69(2)(i) of the Company's Articles of Association, and being eligible, offers himself for election.

(Shareholders will be given an opportunity to elect Directors to fill the vacancies. Shareholders will be requested to elect the Board members at the meeting or in advance of the meeting. Names of persons nominated will be available 7 days before the AGM on the Company's website page <https://corporate.kenya-airways.com/investors-and-shareholders/annual-reports/en/>, and or the Share Registrar's website at <https://digital.candrgroup.co.ke>, following the steps set out hereinafter).

6. To elect members of the Audit and Risk Committee.
(The current members are Mr. David Kabeberi and Dr. Haron Sirima (who will be retiring and have offered themselves for re-election), Major Gen. (Rtd.) Michael Gichangi, and Mr. John Wilson.

Proposed Resolution:

"THAT Mr. David Kabeberi, Dr. Haron Sirima, Major Gen. (Rtd.) Michael Gichangi and Mr. John Wilson be re-elected as members of the Audit and Risk Committee subject to election of Board members under Agenda No.5 above."

7. To appoint M/s. PricewaterhouseCoopers as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and authorise the Directors to fix their remuneration.

Proposed Resolution:

"THAT M/s. PricewaterhouseCoopers be appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and that the Directors be authorised to fix their remuneration".

8. To transact any other business of the Annual General Meeting in respect of which due notice has been received.

BY ORDER OF THE BOARD

Habil A. Waswani
Company Secretary

Date: 8th June 2023

Notes of the Notice

- Pursuant to provisions of the Companies Act, 2015 (as amended by The Business Laws (Amendment) (No.2) Act, 2021), and provisions of Article 39.3 and 51B of the Company's Articles of Association, the Company shall hold the AGM using electronic means.**

2. Any member may by notice duly signed by him or her and delivered to the Company Secretary's Office, Kenya Airways Plc, Headquarters, Airport North Road, Embakasi, P.O. Box 19002-00501, Nairobi, or emailed to AGM.KQ@kenya-airways.com 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.

3. In accordance with Section 298(1) of the Companies Act, 2015, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to attend and vote on their behalf. A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointor is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to proxy@candrgrroup.co.ke or delivered to Custody and Registrars Services Ltd, the Company's Share Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue, so as to be received not later than Wednesday, 28th June 2023 at 9.00 a.m. When nominating a proxy the ID/Passport No., details for email and/or mobile number of the proxy must be submitted to facilitate registration.

4. A copy of this notice, proxy form and the entire Annual Report and audited financial statements may be viewed on the Company's website at www.kenya-airways.com or a printed copy may be obtained from the Company's Share Registrars, Custody & Registrar Services Limited upon request.

5. Shareholders will be able to register to follow the Annual General Meeting, vote electronically or by proxy and ask questions in the manner detailed below:

(a) Shareholders wishing to participate in the meeting should register for the AGM online at <https://digital.candrgrroup.co.ke> or via a link to the AGM platform that will be sent to them via SMS and/or Email or via USSD using short code number *483*12# and following the various prompts regarding the registration process. - In order to complete the registration process, shareholders will need to have their Shares Account Number or CDSC Account Number and the ID/Passport Number which were used to purchase their shares.

(b) Registration for the AGM opens on Monday, 19th June 2023 and will close on Thursday, 29th June 2023 at 12.00 noon.

(c) For assistance, shareholders should dial the following helpline numbers: +254 20 8690360 from 8:00 a.m. to 4:00 p.m. during the registration open period. Any shareholder outside Kenya should dial the helpline number to be assisted to register or send an email to digital@candrgrroup.co.ke.

(d) Shareholders can access the Virtual AGM using their log in credentials via <https://digital.candrgrroup.co.ke> or via a link to the AGM Platform to view the live stream and vote and submit questions. Shareholders without internet access can access the Virtual AGM and vote and submit questions via USSD *483*12#

(e) Shareholders wishing to raise any questions for the AGM may do so prior to the AGM (during the registration open period) or during the AGM by:

During the AGM:

1. Shareholders accessing Virtual AGM via <https://digital.candrgroup.co.ke> or via a link to the AGM platform; Select Attend Event; Select Kenya Airways Plc AGM; Select Q&A option tab and submit questions in text box provided; or
 2. Shareholder accessing Virtual AGM via USSD platform *483#12# Use the menu prompts to Select option for Q&A and submit their questions (within 160 character limit for SMS text)

Prior to the AGM:

1. Accessing <https://digital.candrgroup.co.ke> or via a link to the AGM Platform; Select Attend Event; Select Kenya Airways Plc AGM; Select Q&A option tab and submit their questions in the text box provided; or
 2. Sending their written questions by email to digital@candrgroup.co.ke; or
 3. To the extent possible, physically delivering their written questions with a return physical address or email address to the offices of Custody and Registrars Services Ltd, Company's Share Registrars, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue.

Note: Shareholders sending questions by email or delivering to Custody and Registrars Services Ltd, the Company's Share Registrars, must provide their full details (full names, Shares Account Number/CDSC Account Number) when submitting their questions and clarifications. Also attach a copy of your ID/Passport.

All questions and clarification must reach the Company's Share Registrars on or before Wednesday, 28th June 2023 at 9.00 a.m.

- (f) Shareholders wishing to vote during the AGM may do so when prompted by:

 1. Shareholders accessing Virtual AGM via <https://digital.candrgrroup.co.ke> or via a link to the AGM platform; Select Attend Event; Select Kenya Airways Plc AGM; Select Voting option tab and vote;
 2. Shareholder accessing Virtual AGM via USSD platform *483*2#; Use the menu prompts to Select option for Voting and follow the various prompts regarding the voting process

(g) Shareholders wishing to vote prior to the AGM may do so during the registration open period by following the steps set out in (f)(1) or (f)(2) above.

(h) The Virtual AGM will be accessible to shareholders and proxies who have duly registered and received the log-in credentials. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers and/or email address one (1) week prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent two hours ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in two hours'



Proxy Form

The Company Secretary,
Kenya Airways Plc,
P.O. Box 19002-00501,
Nairobi,
Kenya.

I/We of ID/Company Registration Number

being a Member/Members of the above-named Company hereby appoint

of Email address: and Mobile No :..... or failing him/her the Chairman of the Meeting in respect of the shares account number as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held electronically on **Friday, 30th June 2023 at 9.00 a.m.** and at any adjournment thereof.

Signed at..... this.....day of 2023.

Signature(s)

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and returned to the Company Secretary, P.O. Box 19002-00501 Nairobi, or physically to the registered office of the Company at Airport North Road, Embakasi, Nairobi, or to the Company's Share Registrars, **M/s. Custody and Registrars Services Limited, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi, Kenya** or through their email address **proxy@candrgroup.co.ke** to arrive not later than **Wednesday, 28th June 2023 at 9.00 a.m.** i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the proxy form will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. To be valid, a proxy form, which is available from the Company's head office or the Share Registrar's offices, must be completed and signed by the shareholder or the duly authorised attorney of the shareholder and must be either emailed to **proxy@candrgroup.co.ke** or lodged at the offices of the Company's Share Registrars, **Custody and Registrars Services Limited, at IKM Place, Tower B, 1st Floor, 5th Ngong Avenue Nairobi, Kenya** so as to arrive not later than **Wednesday, 28th June 2023 at 9.00 a.m.**

Fomu Ya Uwakilishi

Katibu wa Kampuni,
Kampuni ya Kenya Airways Plc,
S.L.P 19002-00501,
Nairobi, Kenya.

Mimi/Sisi wa namba ya kitambulisha/Namba ya usajili ya Kampuni

Kwa kuwa mwenye/wenye hisa katika Kampuni iliyotajwa hapo juu, ninamteua/tunamteua

wa barua pepe:..... na Simu ya rununu: au asipokuwepo mahali pake, Mwenyekiti wa Mkutano, kuhusiana na nambari ya akaunti ya hisa: kuwa mshirika wangu/ wetu kuhuduria, kuwakilisha na kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Kila Mwaka wa Kampuni utakaofanyika kwa njia ya kielektroniki siku ya **Ijumaa, tarehe 30 Juni, 2023 saa tatu** asubuhi na kwa uhairisho wowote utakaofuata.

Imetiwa saini hapa.....siku hii ya.....ya 2023.

Saini

VIDOKEZO

- Ikiwa mwanachama hawezi kuhuduria yeye mwenyewe, Fomu hii ya Mshirika inapaswa kukamilishwa na kurejeshwa sio baada ya Jumatano tarehe 28 Juni 2023 saa tatu asubuhi kwa **Katibu wa Kampuni S.L.P 19002-00501, Nairobi** au binafsi katika ofisi zilizosajiliwa za Kampuni katika Barabara ya **Airport North Road, Embakasi, Nairobi**, au kwa shirika la Rejistra wa Hisa wa Kampuni, **Custody and Registrars Services Limited** katika Jumba la **IKM Place, orofa ya I, Tower B, Barabara ya 5th Ngong Avenue, Nairobi, Kenya**. Vinginevyo, fomu za mshirika zilizotiwa sahihi ifaavyo pia zinaweza kutumwa kwa **proxy@candrgroup.co.ke** katika umbizo la PDF.
- Ikiwa mwanachama ni shirika, fomu ya mshirika lazima ipigwe muhuri ya shirika hilo au kutiwa sahihi na afisa au wakili aliyeidhinishwa halali wa shirika kama hilo.
- Kama mwenye hisa, una haki ya kuteua shirika moja au zaidi kutekeleza haki zako zote au haki yoyote ile ya kuhuduria na kuzungumza na kupiga kura kwa niaba yako katika mkutano. Uteuzi wa mwenyekiti wa mkutano kama mshirika umejumuishwa kwa ajili ya kurahisisha mambo. Ili kuteua mtu yeyote kuwa mshirika, futa maneno “Mwenyekiti wa Mkutano au” na uweke jina kamili la mshirika wako katika nafasi ilioachwa wazi. Si lazima mshirika awe mwenye hisa katika Kampuni.
- Kukamilisha na kuwasilisha fomu ya mshirika hakutakuzuia kuhuduria mkutano na kupiga kura mwenyewe katika mkutano, hii ikitokea kura zozote zilizopigwa na mshirika wako hazitajumuishwa.
- Ili iwe halali, fomu ya mwakilishi, ambayo inapatikana katika ofisi kuu ya Kampuni au katika ofisi za Rejistra wa Hisa, lazima ijazwe na kutiwa saini na mwenye hisa au wakili aliyeidhinishwa na itumwe kupitia barua pepe kwa proxy@candrgroup.co.ke au kuwasilisha katika ofisi ya Rejistra wa Hisa wa Kampuni, **Custody and Registrars Services Limited, IKM Place, orofa ya I, Tower B, Barabara ya 5th Ngong Avenue, Nairobi, Kenya**, ili ifike sio baada ya Jumatano, **tarehe 28 Juni 2023 saa tatu asubuhi**.

Progressing *the* *skies*



*Abridged
Sustainability Report*



Message from The Group MD & CEO

I am thrilled to present the first integrated report from Kenya Airways. In this abridged report, we have highlighted our sustainability performance and commitments. The comprehensive inaugural ESG report will be released in 2023 and publicly disclose Environmental, Social and Governance performance and obligations as an accountable and responsible corporate entity.

Despite facing numerous challenges recently, such as the COVID-19 pandemic and the global fuel crisis, we have continued to offer our services and identified areas for improvement. As a service provider, our company is firmly committed to contributing to the sustainable development of Africa. We prioritized social and environmental sustainability and commercial effectiveness throughout the past financial year. We committed to Africa's growth while maintaining future generations' ability to meet their needs.



Sectoral Changes

The aviation industry in Kenya faced significant challenges during the extended election period in the country and instability in the global economic system. This year, it is anticipated that despite political, economic, and regulatory changes that have hindered the implementation of our strategic objectives, we remain committed to exploring new opportunities and maintaining our position as the primary carrier to and from the country. We understand the negative impact rising taxation, inflation, and cost of living have on our local customers. Despite the obstacles, we remain optimistic about the future and look forward to overcoming these challenges with resilience and determination.

Our Priorities and Strategic Challenges

Our primary focus in the financial year 2022 was to remain resilient and ensure positive interactions with stakeholders, despite the prevailing political and socio-economic conditions. We have made remarkable progress by integrating sustainability reporting into our annual reporting. We are committed to improving our sustainability performance this year.

Our Opportunities

As we move forward, it is important to recognize and appreciate the immense value that stakeholders bring to the table, especially during challenging market conditions. At our core, we remain committed to being a sustainable business focusing on the four economic, human, environmental and social pillars. Our ultimate goal is to enhance the value we offer to stakeholders and maintain a sustainable level of profitability. Above all, our unwavering focus centres on transforming into a future-fit company.

A handwritten signature in black ink, appearing to read "Allan Kilavuka".

**Allan Kilavuka,
Group Managing Director & CEO**

Environmental

Kenya Airways is committed to mitigating its actual negative impact, preventing potential negative impact, and maximizing its positive impact. We strive for transparency by reporting our environmental impact and implementing conservation measures. Adhering to environmental laws at all levels is crucial to safeguarding our stakeholders. We also aim to reduce emission intensity by utilising the best environmental management practices.

Compliance management



As a responsible organization strictly adheres to local, regional, and international environmental laws. To achieve this, we rely on the Environmental Management Manual (EMM), which sets out our policies, expectations, and management protocols for ensuring compliance with international and local environmental regulations. Our employees receive training, necessary resources, and tools for compliance. We track emissions, energy consumption, violations, noise, and waste annually to assess our performance. Environmental sustainability is crucial for our business, and we are dedicated to measuring, accounting for, and working towards a sustainable future.

We are demonstrating our commitment to a sustainable future through:-

a) Fleet modernization

To modernize our fleet, we retired older, fuel-inefficient aircraft, reducing flight emissions. Our current fleet, with an average age of 10 years, is more fuel-efficient. We acquired the Boeing 787, known for its environmental performance, reducing CO₂ emissions and noise pollution.



b) Emissions Trading Schemes

- **EU ETS**- The EU ETS is the cornerstone of the European Union's drive to reduce its emissions of manmade greenhouse gases for flights operating

within the European Economic area. Kenya Airways monitors and reports EU ETS emissions for each calendar year and have the emission reports checked by an accredited verifier.

- **UK ETS** - Kenya Airways monitors and reports UK ETS emissions for each calendar year and have the emission reports checked by an accredited verifier.
- **CORSIA** Kenya being among the first countries to volunteer to the scheme, Kenya Airways has been a voluntary participant in CORSIA pilot phases, monitoring, reporting and verifying the emissions from its international flights since 2019, and looking forward to the first offsetting phase in 2024.

c) Fuel efficiency initiatives

Kenya Airways has implemented measures such as continuous descent approaches, optimized routing, idle reverse landing, reduced flap landing and single-engine taxiing to minimize fuel consumption. We also prioritize weight reduction by using lighter materials, implementing efficient water uplift strategies, and optimizing aircraft loading to achieve an optimal centre of gravity. Kenya Airways has also invested in an advanced flight planning system to optimize flight paths and reduce fuel burn. Regular maintenance and engine performance monitoring programs are also undertaken to ensure engines operate optimally, reducing fuel consumption.

d) Particulate matter assessments

Particulate matter is a complex mixture that includes soot, smoke, metals, nitrates, sulphates, dust and water. The particles in the work environment are either respirable dust or total inhalable dust. We conduct annual air quality assessments in line with Section 19 (1) of the Occupation Health and Safety Act 2007, which provides the prevention of the emission of poisonous, harmful, injurious or offensive substances into the atmosphere by the best practical means.

Energy



Our energy usage for the year ending on December 31, 2022, is based solely on non-renewable sources for our needs. Specifically, our generators and boilers consumed 118,721 litres of fuel. In 2022, we experienced higher demand for air travel after the COVID-19 pandemic, resulting in an increase in flight fuel usage to 288,970,803 kgs. Our energy consumption also increased from 4,473,165 Kw/h in 2021 to 4,514,881 Kw/h in 2022, mainly due to increased post-pandemic business activity.

Our direct GHG emissions (Scope 1) for 2022 were 913,148 tons of CO₂, an increase from the 596,161 tons recorded in 2021. It is important to note that these figures only include CO₂ released from jet fuel combustion. However, we reduced emissions by 10,120 tons of CO₂ due to our GHG reduction initiatives.

Third-party electricity purchased from the main grid was also a source of emissions (Scope 2). This figure increased from 2,236.14 tCO₂/MWh in 2021 to 2,256.98 tCO₂/MWh in 2022. Despite this increase, our air quality assessment reports showed that the particulates and gases in our workplace were below occupational exposure limits, meaning there was no risk to our occupants. We remain committed to reducing our carbon footprint and exploring more sustainable energy solutions and alternatives.

Waste and Effluents

We recognize the importance of effective waste management to achieve cost-savings, enhance corporate image, reduce negative impacts on the environment and communities, and influence customers' and investors' decisions. We manage our waste in an environmentally conscious way. To achieve this, we strictly adhere to the Environmental Management and Coordination Act guidelines. Our team adheres to the Airport Council International (ACI) waste decision hierarchy, which emphasizes prevention, reduction, reuse, recycling, and disposal.

Ground waste management

We meticulously scrutinize the disposal methods of products before purchasing them, ensuring that our products are environmentally friendly from inception to disposal. In partnership with NAS Servair, we recycle waste from our aircraft, including organic waste, which we process into valuable end-products like organic fertilizers and animal feeds. When handling effluent waste, we conduct analyses in areas with discharge and ensure we manage wastewater according to regulations. Our clinic waste is treated through a licensed waste handler, ensuring it is disposed of safely and responsibly.

Waste Performance in 2022

We generated 194.19 tonnes (onboard) of waste in 2022, increasing from 113.25(onboard) tonnes in 2021. This increase was primarily because our business picked up in 2022, following a gradual recovery from the COVID-19 pandemic. We know that waste per passenger is critical in evaluating our waste management efforts. Our waste per passenger (Kg/PAX) increased to 0.0708 kg in 2022, compared to 0.07606 kg in 2021. We will continue to implement our responsible waste management practices as we expect to see a reduction in the long run. During the reporting period, we had a total ground fuel waste of 5,765 litres consisting of 3,145 litres of motor vehicle oil and 2,620 litres of jet oil. To responsibly manage fuel waste, we have implemented measures to ensure that all waste products are appropriately collected, stored, and disposed of in line with best practices. We remain committed to minimizing our environmental impact in all operations and will continue to ensure that our waste management practices align with this commitment.

Noise

We are fully committed to finding ways to minimise noise pollution and its effects on the environment, staff, and surrounding communities. We have implemented noise elimination strategies and operational controls administrative strategies, including training and provision and adherence of personal protective equipment.

Our employees are fully equipped with the necessary training to identify and report potential noise-related risks. If there are any such risks, our safety team conduct a thorough risk assessment and devise a customised mitigation strategy that best suits the situation. Our fleets fully comply with the latest ICAO Chapter 4 noise standards.

We have taken specific steps to conduct our engine runs in designated areas provided by the Kenya Airports Authority that are isolated from the rest of the airport. We have also prioritised performing our hangar operations and Ram Air Turbine (RAT) tests during non-working hours and on weekends to minimise potential disruption to the local community.

Social

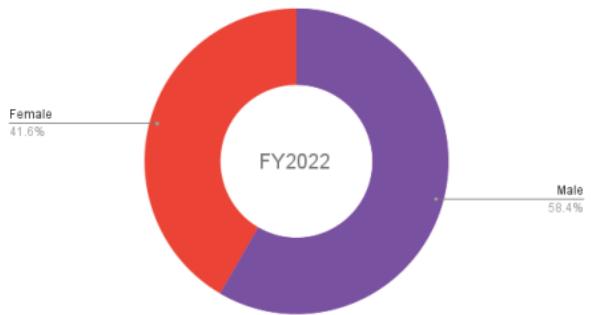
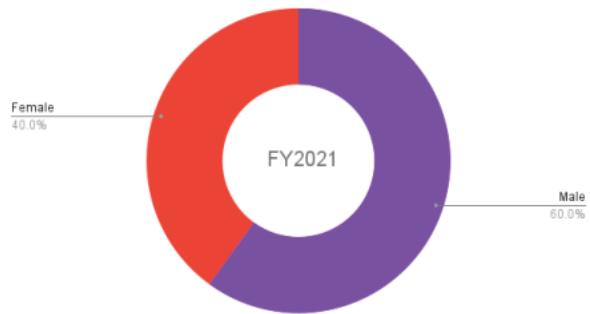
People and Development

We take great pride in our employees, we prioritise their well-being and invest in personal and professional development to foster a strong sense of belonging. We firmly believe that our people are the key to our continued growth and prosperity, and we endeavor to provide them with the tools and resources they need to succeed. We provide equal opportunities for all employees in their work assignments, personal development, and progress within the organization.



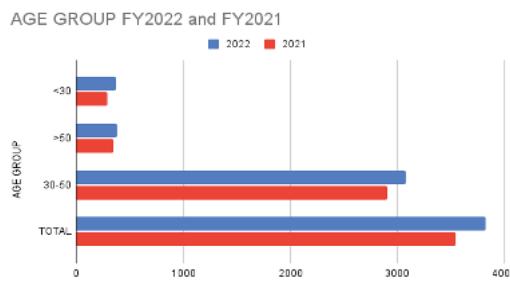
Inclusion, Diversity and Equality

By embracing diversity's strengths, we encourage fresh perspectives and engaging conversations that drive our organisation forward. We take pride in our diverse workforce, which mirrors the diversity of the communities we serve. In Kenya Airways, 58% of employees are male while 42% are female, reflecting the gender distribution within our workforce.



We recognise and mentor young talent, with 11.7% of our core employees under 30 years. Investing in young talent is critical to the future success of our company, and we are committed to providing them with the training and support they need to excel in their roles. Below is a breakdown of primary employee categories by age, indicating that most employees are between 30 and 50.

KQ employees by category and age in 2021 and 2022



Learning and Development

We support our employees' growth by providing opportunities for continuous development. This helps them acquire new skills and stay competitive in a business world that is constantly changing.

Compliance training in areas such as flight operations and ground handling, amongst many others, is compulsory for each employee in line with regulatory requirements. We have invested heavily in digital space with an AI Learning Management System to engage learners anytime, anywhere, with our diverse workforce in multiple locations.

We provided a wide range of compliance and self-driven training opportunities, resulting in 39,341 training hours in 2022. This is a significant increase from the previous year, with an average of 10.3 learning hours per employee in self-driven training in 2022, compared to only 0.292 in 2021. In addition to the self-driven training, we also offered extensive ground and cargo-related courses, with a total of 24,054 hours taken. On average, each employee completed 6.17 learning hours in ground and cargo compliance training in 2022.

In 2022, we trained 735 of our employees in safety management systems to promote a safety culture and ensure they know the relevant safety protocols and procedures.

Employee Wellness

Our comprehensive Employee Wellness Program aims to reduce health risks and build vitality amongst employees to enhance well-being and enable high performance and productivity. Vital elements for this program are grounded on Health Promotion and Health Prevention elements, including Health Assessment, Physical wellness including the availability of a gym facility, Healthy Eating, Infection Prevention including vaccination and Health Risk Communication. A vibrant Employee Assistance Program (EAP) provides Mental and Emotional Well-being, Drug and Substance Abuse and Rehabilitation.



Freedom of Association and Collective Bargaining Agreements

We have negotiated collective bargaining agreements (CBAs) with five unions covering approximately 68% of our employees. The unions include the Kenya Airline Pilots Association (KALPA), the Kenya Aviation Workers Union (KAWU), the Amalgamated Transport and General Workers Union (ATGWU) of Uganda, the National Union of Air Transport Employees (NUATE) of Nigeria, and the General Transport, Petroleum and Chemical Workers Union (GTPCWU) of Ghana.

The CBAs have set timeframes but remain in force until other CBAs are negotiated, signed and registered in the respective jurisdictions. KQ management meets regularly with our Union leadership to negotiate terms and conditions of service for our employees as well as engage in operational updates, procedures,

and policy changes. For the 32% of our employees not covered by CBAs, their terms of employment are based on industry benchmarks.

Labour Conditions

We prioritise our customers' and employees' health and safety. We firmly believe that fostering a strong safety culture is a shared responsibility that permeates every level of the company.

Passenger safety

We have trained our cabin crew to prioritise safety and emergency procedures. They consistently attend rigorous safety and security courses to stay current on the latest developments and regulatory protocols. Our team receives constant communication through circulars, campaigns, and regular divisional sessions to ensure their knowledge is always present. We provide crew and passengers with comprehensive pre-flight and in-flight safety briefings before each flight covering general and specific aircraft safety, routes, weather information, emergency procedures, medical emergencies, and survival safety equipment and systems.

Hazard Identification and Risk Management

Mitigating risks follows a comprehensive approach that incorporates three key strategies: avoidance, reduction, and segregation of exposure. We rely on a combination of administrative and engineering controls, procedures, equipment, and contingency plans to effectively contain risks. Our risk control measures are structured in a hierarchy, prioritising higher-level rules such as elimination and substitution over lower-level controls. Our company values the safety of our employees and encourages them to report any hazards they come across during their work without fear of punishment. We provide communication channels like walk-in reporting, work-related hazard identification boxes, anonymous reporting, and prompt feedback to ensure we hear our employees' concerns.

Work-related Injuries

In FY2022, we had zero work-related fatalities and high-consequence work-related injuries. However, we recorded 39 work-related injuries in 2022, a slight increase compared to the previous year's 25. As part of our commitment to the safety and well-being of our employees, we have taken the necessary steps to identify the causes of these injuries and put additional measures in place to prevent them from happening again. Our team has carefully documented the details of each work-related injury, including its nature and circumstances. Analysing this information, we have identified areas of improvement in our work practices and safety procedures.

Respect for Human Rights in the Workplace

Upholding human rights is a crucial part of our mission. We are dedicated to treating everyone equally, without discrimination, and we adhere to international declarations and standards such as the United Nations Universal Declaration of Human Rights and the ILO Declaration on Principles and Fundamental Labour Rights.

We follow our Code of Business Conduct and Ethics at all levels to ensure human rights are respected. We actively combat practices like child labour, slavery, and torture. Our employees are encouraged to express their opinions without fear of retaliation

freely. We prioritize these values in our operations and supply chain, addressing negative impacts. Safety and respect are critical to our culture, as we believe that upholding human rights fosters a positive work environment and a better world for all.



We offer a fair and competitive income to attract and retain talented individuals, which helps to build substantial human organisational capital and foster continued business growth. Our remuneration packages are equitable and based on market benchmarks and internal parity. We firmly believe in treating all employees with the utmost respect and dignity. To ensure this, we have implemented an anti-harassment policy that strictly prohibits any form of bullying, physical or psychological abuse, verbal harassment, or sexual misconduct towards any of our employees.

Customer Satisfaction

We recognise the significance of delivering exceptional customer service and respecting our customers' rights. By investing in personalised services, leveraging technology effectively, and providing comprehensive employee training, we strive to improve the overall customer journey and create memorable experiences that set us apart from the competition. We engage with our customers in various ways, including providing a formal complaint-handling process and soliciting service feedback. We are always looking for innovative ways to improve our services, and we consider our customers' interests in every aspect of our business. To ensure our customers are happy with our services, we conduct regular surveys yearly and quarterly. These surveys use the Net Promoter Score (NPS) system, which calculates a single figure to help us benchmark customer satisfaction based on their responses to a simple survey. We take great pride in treating all our customers with respect and dignity, regardless of their race, colour, nationality, religion, or gender. For customers with physical disabilities, we have designed our facilities to offer assistive support, enabling them to move around and access our ground services quickly.

Moreover, we extend our assistance to older adults, expectant women, passengers traveling with children, passengers of size, and those with hearing and vision impairments, ensuring they receive the required care and attention.



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Reaching New Heights Together

2022 Integrated Report & Financial Statements