Aviation. |

Jambojet leans on KQ cash amid losses

Charles Mwaniki

Budget carrier Jambojet received an additional financial support worth Sh1.45 billion in the year ending December 2022 from its parent company Kenya Airways (KQ) amid losses in the period.

Disclosures in the national carrier's latest annual report show that the amount due from Jambojet grew to Sh2.56 billion by the end of last year from Sh1.41 billion in 2021, while the parent firm owed the subsidiary Sh92 million at the end of the period.

The related party debt included loans that KQ gave the subsidiary during the year, but the share of the loans as part of the total amount due was not broken down in the report.

"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," said KQ in the report.

The national carrier also disclosed that Jambojet's estimated or assessed tax losses amounted to Sh3.27 billion last year, up from Sh2.93 billion in 2021.

KQ launched Jambojet in April 2014, making a return to the regional low cost carrier market, a decade after folding its former low-priced unit Flamingo Airlines in 2004. Flamingo had been making losses over the four years of its existence.

Having first flown on local routes only, Jambojet in 2017 acquired a licence to ply international routes, allowing it to start operating regional flights to Entebbe and Kigali, and later to Goma in the Democratic Republic of Congo. It stopped flying to Entebbe and Kigali at the height of Covid-19 in 2021.

When it was set up, Jambojet leaned on KQ for non-core functions such as maintenance, ground handling, human resources and sales offices, as well as hiring of pilots.

KQ and its subsidiary have, however, been affected by the tough operating environment for airlines, booking higher losses in the past year.

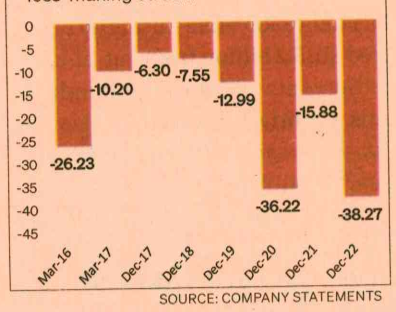
The national carrier's net loss more than doubled to a record Sh38.26 billion in 2022 from Sh15.87 billion in 2021, largely on the back of a rise in financing costs.

KQ, however, saw a rise in total income from Sh70.22 billion to Sh116.87 billion but suffered a net loss increase largely due to a Sh18 billion finance cost that was passed through the income statement after the State took over the servicing of one of the airline's dollar-denominated loans.

Fuel costs rose by 160 percent on increased prices and more consumption due to a rise in flight operations to take up 53 percent of the direct operating costs.

KQ net earnings (Sh Bn)

The airline more than doubled its full yearloss to Sh38.26bn to continue its loss-making streak.



SOURCE: COMPANY STATEMENTS

Sustainable trade takes centre stage

From left: Fred Kimotho, senior manager, tax and legal at Deloitte East Africa, Alkarim Jiwa, finance director at Diamond Trust Bank Kenya, Titus Kiilu, market compliance and surveillance manager at the Nairobi Securities Exchange, Reshma Shah, Equity Group director sustainability, and Winnie Bunei, senior manager, risk advisory practice at Deloitte East Africa during a business forum at Villa Rosa Kempinski Hotel in Nairobi yesterday. BILLY OGADA

Agriculture. |

Tea firms decry security costs as theft on the rise

Edna Mwenda

Williamson Tea Kenya (WTK) has revealed an increased number of insecurity cases such as theft that have resulted in high operating expenses.

The tea-producing region of Rift Valley has been hit by protests and theft in recent months.

Some protesters have damaged tea plucking machines which they blame for snatching their jobs.

"There are reasons to be concerned about the rule of law and the gradual erosion of it. Increased theft of green leaves and mindless vandalism and destruction of assets are on the rise. The rule of law and adherence to it is the backbone for a stable and strong society," Williamson says in its latest annual report.

"Employing more security to protect assets and people adds considerably to our costs."

Large scale tea producers in Kericho and Bomet counties lost millions of shillings in the violence against multinationals by armed gangs who were opposed to introduction of mechanisation.

The Kenya Tea Growers Association earlier said the escalating insecurity affecting tea farms in the region had compromised about 4.5 million kilogrammes of green leaves.

Disclosures from the listed agricultural firm show its tea production dropped by 11 percent from 16.7 million kilogrammes a year earlier to 15.1 million kilogrammes in the year ended March 2023.

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Performance. |

Safaricom managers awarded Sh302 million free shares

Charles Mwaniki

Listed telco Safaricom rewarded its senior managers with 15.3 million shares worth Sh302 million at current market value in the year ended March 2023 as compensation for their past performance.

The company says in its 2023 annual report that the number of shares vesting to qualified staff remained unchanged compared to the previous year. Under the employee performance share award plan, Safaricom buys its own shares in the open market and allocates them to specific employees, who take ownership after a three-year vesting period when they are free to sell or continue holding the stock in their personal accounts.

The shares form part of the compensation due to the staff for meeting or exceeding performance targets. "During the year, 12.4 million shares were bought by the Trust, at a cost of Sh489.4 million (2022: 12.4 million shares at a cost of Sh489.4 million). Additionally, 15.3 million shares historically valued at Sh519.4 million (2022: 15.3 million shares valued at Sh519.4 million) vested and were exercised by eligible staff," said Safaricom in the report.

"The trust currently holds 11.5 million shares at a total cost of Sh416.2 million (2022: 11.5 million shares at a cost of Sh416.2 million)." The free shares and Safaricom's long-term stock price gains recently have made the company's stock-based compensation one of the more lucrative among the country's publicly-traded firms.

The beneficiaries who continue to hold their shares after vesting also benefit from dividends paid out annually by the company, whose payout policy normally sees it distribute about 80 percent of its net profits every year to shareholders. The telco's share traded at Sh19.7 a unit yesterday, continuing its mini rally from the eight-and-a-half year low of Sh13 per share recorded in mid-May.

This is still well below the record highs of Sh45 per share that were seen in August 2021, when it was boosted by investor enthusiasm after a Safaricom-led consortium won a telecommunications licence in Ethiopia.

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