

PRECISION AIR SERVICES PLC

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

PRECISION AIR SERVICES PLC

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FOR THE YEAR ENDED 31 MARCH 2015**

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PRECISION AIR SERVICES PLC

**CORPORATE INFORMATION
FOR THE YEAR ENDED 31 MARCH 2015**

PRINCIPAL PLACE OF BUSINESS:	DIAMOND PLAZA MIRAMBO STREET, 1 ST FLOOR PO BOX 70770 DAR ES SALAAM
REGISTERED OFFICE:	NEW SAFARI HOTEL BOMA ROAD PO BOX 1636 ARUSHA
BANKERS:	CRDB BANK LIMITED PO BOX 3150 ARUSHA STANBIC BANK PO BOX 3062 ARUSHA KENYA COMMERCIAL BANK (T) LIMITED PO BOX 804 DAR ES SALAAM NBC BANK LIMITED PO BOX 157 ZANZIBAR STANDARD CHARTERED BANK PO BOX 30003 NAIROBI, KENYA I&M BANK PO BOX 30238 NAIROBI, KENYA CITI BANKTANZANIA LIMITED PO BOX 71625 DAR ES SALAAM TWIGA BANCORP PO BOX 10119 DAR ES SALAAM
GROUP SECRETARY:	IMANI KADUMA PO BOX 70770 DAR ES SALAAM
GROUP AUDITORS:	PRICEWATERHOUSECOOPERS CERTIFIED PUBLIC ACCOUNTANTS 369 TOURE DRIVE, OYSTER BAY PO BOX 45 DAR ES SALAAM

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

1 INTRODUCTION

The Directors present their report together with the audited financial statements for the financial year ended 31 March 2015 which disclose the state of affairs of Precision Air Services Plc.

The financial statements for the year ended 31 March 2015 were approved and authorised for issue by directors as indicated on the statement of financial position.

2 INCORPORATION

The Company and its subsidiaries are incorporated in Tanzania.

3 GROUP'S VISION

"To be the airline of choice"

4 GROUP'S MISSION

"To develop and provide superior air transport services that exceed customers' expectations".

5 PRINCIPAL ACTIVITIES

The principal activities of the Company are regional and domestic air carriage of passengers and cargo.

The Company flies to nine (9) destinations within Tanzania and the region.

Whereas one subsidiary; Precision Handling Limited carries out ground handling services in Dar es Salaam, Kilimanjaro, Mwanza, Mbeya and Arusha presently serving only the Company; the other, Precise Systems Limited, holds the franchise for distributing the Galileo reservation system to airlines and travel agents within Tanzania.

6 PERFORMANCE FOR THE YEAR

Capacity Offered to Market

The Available Seats Kilometre (ASK) released to the market amounted to 323 million against a prior year level of 508 million thus a drop of 36.4% compared to prior year.

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

6 PERFORMANCE FOR THE YEAR (CONTINUED)

Capacity Utilised

Total passengers carried in the network during the financial year amounted to 451,769 compared to a prior year level of 687,981 thus a drop of 34.3% compared to prior. The shortfall on previous year is largely due to the reduced scale of operation due to engine problems that led to reduction of frequency on key routes and suspension of some routes.

The Revenue Passenger Kilometre (RPK) achieved from the market amounted to 190 million against prior year level of 332 million; thus a drop of 43% compared to prior year. The significant deficit on previous year is attributable to the suspension of a number of regional routes which constituted a significant portion of the network's ASKs in the prior year.

Yields/RPK

Yield/RPK achieved on passenger revenue during the financial year was 23.32 US Cents (USc) compared to a prior year level of USc 19.49.

Profitability

Whereas the Company incurred a loss of TZS 83.1 billion during the year (2014: loss of TZS 12.4 billion); the Group incurred a loss of TZS 83.9 billion (2014: loss of TZS 12.1 billion) The loss for the year is arrived at after aircraft impairment charge of Shs 11,630 million, aircraft remeasurement loss of Shs 22,393 million and impairment provision for receivables of Shs 19,581 million (Shs 19,130 for the Company).

Detailed financial results of the Group and Company for the year are set out on page 16.

7 FUTURE DEVELOPMENTS AND PLANS

The Group will continue focusing on improving profitability and liquidity by increasing revenues and maintaining costs at reasonable levels. The Key focus areas will be:

- Enhancing efficiency through Network and Fleet rationalization;
- Increase staff productivity through job evaluations and multitasking;
- Review and improve the product offering and focus particularly on niche markets;
- Continue to increase our reach through signing of additional special prorate agreements and joint ventures wherever the opportunity arises;
- Continuous focus on cost control at functional level and review of our distribution costs, focusing on lean management across all functional areas; and
- Continue to pursue the third party ground handling and engineering business so as to increase revenues.

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

8 STOCK EXCHANGE INFORMATION

During the year, there was minimal fluctuation in the Company's share price. At the close of the financial year the Company's share was trading at the Dar es Salaam Stock exchange at TZS 470 per share compared to TZS 460 per share at the end of the prior financial year.

9 DIVIDENDS

The Directors do not recommend payment of dividend (2014: Nil).

10 SUBSEQUENT EVENTS

Subsequent events are detailed on Note 37 of these financial statements.

11 SOLVENCY AND GOING CONCERN EVALUATION

The Group's state of affairs is set out on page 17 of the financial statements.

The Group incurred a net loss of TZS 83.9 billion for the year ended 31 March 2015 (31 March 2014: loss of TZS 12.1 billion) and as at that date, the Group's current liabilities exceeded its current assets by TZS 138.5 billion (31 March 2014: TZS 99.8 billion). The Group was also in a shareholders' deficit position of TZS 114.3 billion as at that date (31 March 2014: TZS 23.1 billion).

Furthermore, the Company incurred a net loss of TZS 83.1 billion for the year ended 31 March 2015 (31 March 2014: loss of TZS 12.4 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 135.8 billion (31 March 2014: TZS 97.4 billion). The Company was also in a shareholders' deficit position of TZS 113.2 billion as at that date (31 March 2014: TZS 22.8 billion).

The Group continues to face working capital challenges to support its working capital requirements and to honour, in time, repayment of maturing loan obligations. Furthermore, the Group has delayed remittance of statutory deductions and taxes to relevant authorities.

These conditions give rise to a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management have reviewed these considerations and the results of this assessment have been documented and presented to the directors and major lenders for their consideration as set forth in Note 2 of the financial statements.

Subject to the comments and the conclusions made in Note 2 of these financial statements, the directors believe that the Group will remain a going concern for at least twelve months from the date of this report.

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

12 RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in Note 25 of the financial statements.

13 CAPITAL STRUCTURE

The capital structure for the year under review is shown below:

Authorised Share Capital

242,000,000 ordinary shares of TZS 20 each (2014: 242,000,000 ordinary shares of TZS 20 each).

Called up and fully paid share capital

160,469,800 ordinary shares of TZS 20 each (2014: 160,469,800 ordinary shares of TZS 20 each).

Share premium

The Company realised from the 2012 IPO, a share premium of TZS 10,491 million.

Borrowings

The Group is financed by borrowings amounting to TZS 238 billion as at year end (2014: TZS 217 billion). For more details, refer to Note 23 of the financial statements.

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

14 SHAREHOLDING

The shareholding of the Company as at year end is as stated below:

Name	2015		2014	
	No. of shares	% Shareholding	No. of shares	% Shareholding
Michael N. Shirima	68,857,650	42.91	68,857,650	42.91
Kenya Airways Limited	66,157,350	41.23	66,157,350	41.23
Public	25,454,800	15.86	25,454,800	15.86
	160,469,800	100.00	160,469,800	100.00

The distribution of shareholders as at 31 March 2015 were as follows:

<u>Name of shareholder</u>	<u>No. of shares</u>	<u>% Shares</u>	<u>Type</u>	<u>Nationality</u>
Michael N. Shirima	68,857,650	42.91%	Individual	Tanzanian
Kenya Airways Ltd	66,157,350	41.23%	Corporate	Kenyan
Precision Air Employee Share Option Scheme	1,765,300	1.10%	Corporate	Tanzanian
Damas Dismas Kamani	475,700	0.30%	Individual	Tanzanian
Fahad Saleh Nahdi	421,000	0.26%	Individual	Tanzanian
Shinyanga Emporium (1978) Ltd	400,000	0.25%	Corporate	Tanzanian
Tanzania Standard (News Papers) Ltd	300,000	0.19%	Corporate	Tanzanian
Quality Group Ltd	210,500	0.13%	Corporate	Tanzanian
Raj Chintan Kakkad	200,000	0.12%	Minor	Tanzanian
Shilpa Pratish Kakkad	200,000	0.12%	Individual	Tanzanian
Chintan Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Dhiraj Chintan Kakkad	200,000	0.12%	Individual	Tanzanian
Pratish Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Than Investments Ltd	200,000	0.12%	Corporate	Tanzanian
NICOL (T) Ltd	200,000	0.12%	Corporate	Tanzanian
Others individually holding less than 0.12%	20,482,300	12.79%		
	160,469,800	100.00%		

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

15 COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company who served during the year and to the date of this report were:

<u>Name</u>	<u>Title</u>	<u>Age</u>	<u>Nationality</u>
Mr. Michael N. Shirima	Chairman	71 years	Tanzanian
Ms Sauda Rajab	Managing Director & CEO	51 years	Kenyan
Mr. Titus T. Naikuni	Director	61 years	Kenyan
Mr. Vincent M. Shirima	Director	39 years	Tanzanian
Mr. Ron Schipher	Director	69 years	Dutch
Mrs Elizabeth Minde	Director	66 years	Tanzanian
Mr. Manzi Rwegasira	Director	32 years	Tanzanian

With the exception of Ms Sauda Rajab, the Group Managing Director & CEO, all other Directors are non-executive.

The Group Company Secretary during the year was Imani Kaduma.

16 DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

As shown in Note 14 of the Directors' report, Mr. Michael N. Shirima holds 42.91% of the Company's issued ordinary share capital.

17 DIRECTORS' EMOLUMENTS

Details of directors emoluments are shown in Note 25(ii) of the financial statements.

18 ORGANISATION STRUCTURE

The Management of the Group is under the Group Managing Director & CEO and is organised in the following functions:

- Managing Director's Office
- Finance
- Commercial Strategy and Network planning
- Human Resources and Administration
- Flight Operations
- Information Systems
- Technical and Engineering
- Ground Operations
- Quality & Safety
- Legal
- Internal Audit

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

19 KEY MANAGEMENT PERSONNEL OF THE GROUP

The key management personnel who served the Group during the year ended 31 March 2015 were:

Ms Sauda Rajab	- Group Managing Director &CEO
Mr Elly Osewe	- Finance Director
Mr Robert Owusu	- Commercial Director
Ms Reynada Sikira	- Director Human Resources
Mr Gaudenz Kusekwa	- Director Operations
Mr Gennaro Sicureza	- Technical Director
Elias Moshi	- Director Ground Handling – Retired 30 September 2014
Mr Alvin Silayo	- Director Ground Handling – Commenced on 1 October 2014
Allan Sharra	Head Quality and Safety - Retired 30 September 2014
Mr Patrick Mwanri	- Head Quality and Safety - Commenced 1 October 2014
Mramba Nkalang'ango	- Head Information Systems

With the exception Ms Sauda Rajab, none of the above mentioned directors are members of the Company's Board of Directors.

20 ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern.

The Company's accounting policies, which are laid out on pages 21 to 36 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

21 INVESTMENTS

Precision Handling Limited was incorporated in Tanzania during the year 2010 and 99 % of its share capital is held by the Company. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a licence to also serve other airlines. The subsidiary's share capital is yet to be allotted and paid in pending obtaining of licence to serve third parties.

Another subsidiary, Precise Systems Limited; was incorporated in Tanzania during the year 2011 and 99 % of its share capital is held by the Company. Precise Systems distributes the Galileo Reservation system to Airlines and Travel Agents in Tanzania.

22 ACQUISITIONS AND DISPOSALS

There was no material disposal or acquisition of business during year 2015 (2014: Nil). Acquisitions and disposals of property are disclosed on Notes 13 and 14 of the financial statements.

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

23 POLITICAL AND CHARITABLE DONATIONS

During the year, the Group contributed TZS 5.6 million (2014: TZS 12.8 Million) to community projects and other charitable organizations. No political donations were made during the year (2014: Nil).

24 EMPLOYEES' WELFARE

Management and Employees' Relationship

A healthy relationship continues to exist between management and employees. There were no unresolved complaints received by Management from the employees during the year.

The Group is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position, free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion or disability.

Training Facilities

The Group sponsors its employees for both short and long term courses within and outside the country in various disciplines depending on the corporate needs and financial resources available.

Medical Assistance

The Group provides medical care to all employees under its medical scheme. Benevolence expenses are also covered in the employee welfare program. The Company has taken an insurance policy for workman's compensation for all staff on permanent and contract terms.

Financial Assistance to Staff

Financial assistance is available to all employees depending on the assessment of and the discretion of management as to the need and circumstances. Financial assistance and salary advances are provided on case-by-case basis.

Retirement Benefits

All of the Group employees are members of either the National Social Security Fund ("NSSF"), Parastatal Pension Fund ("PPF"), Local Authorities Pension Fund ("LAPF") or Government Employees Provident Fund ("GEPF"). The Group and employees both contribute 10% of the employees' gross salaries to the pension schemes.

The Group's employment terms are regularly reviewed to ensure they continue to meet statutory compliance and market conditions. The Group communicates with its employees through regular management and staff meetings and through circulars. The Group has continued to maintain a conducive working environment in terms of providing suitable work place, offices and washrooms.

The number of employees in the Group at the end of year totalled 536 as compared to 608 at the end of year 2014.

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

25 GENDER PARITY

The Group is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 March 2015, the Group had 337 (63%) male and 199 (37%) female employees (2014: 378 (62%) male and 230 (38%) female employees).

26 DISABLED PERSONS

It remains the Group's policy to accept disabled persons for employment for those vacancies that they are able to fill. Opportunities for advancement are provided to each disabled person when a suitable vacancy arises within the organization and all necessary assistance is given with initial training. Where an employee becomes disabled during the course of his or her employment, the Group will seek suitable alternate employment and necessary training thereof. The Group's policy is not discriminatory against people with regards to race, gender, religion or disability.

27 STATEMENT OF CORPORATE GOVERNANCE

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

The Board of Precision Air Services Plc is responsible for the governance of the Group and is accountable to the Shareholders for ensuring that the Group complies with the law and the highest standards of corporate governance and business ethics. The Directors attach great importance to the need to conduct the business and operations of the Group with integrity and in accordance with generally accepted corporate governance practice and endorse the internationally developed principles of good corporate governance.

Board of Directors

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

Six out of the seven members of the Board are non-executive including the chairman of the Board.

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2015

27 STATEMENT OF CORPORATE GOVERNANCE (CONTINUED)

Committees of the Board

The Board has one standing committee, namely Audit Committee of the Board, which meets regularly under the terms of reference set by the Board. The committee meets four times a year or more as necessary. Its members comprise Mr. Vincent M. Shirima, Mr Titus Naikuni and and Mrs Elizabeth Minde. Its responsibilities include review of the financial statements, compliance with Accounting Standards, liaison with the external auditors, remuneration of the external auditors, and maintaining oversight on internal control systems. The Chief Internal Auditor, Finance Director and Managing Director / Chief Executive Officer attend all meetings of the committee. The external auditors attend the meetings on invitation.

Internal controls

The Group has defined procedures and financial controls to ensure 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 Group remains structured to ensure appropriate segregation of duties.

In reviewing the effectiveness of the systems of internal control, the Board takes into account the results of all the work carried out to audit and review the activities of the Group. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Weekly and monthly meetings are held by the management to monitor performance and to agree on measures for improvement.

Code of ethics

The Group is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. All employees of the Group are expected to avoid activities and financial interests that could clash with their responsibilities to the airline.

Directors' emoluments and loans

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2015 are disclosed in Note 25(ii) of the financial statements. Neither at the end of the financial year nor at any time during the year was there any arrangement to which the Group is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares. There were no directors' loans at any time during the year.

28 CORPORATE SOCIAL RESPONSIBILITY

The Group has identified three key community areas of support in which it participates under the corporate social responsibility program. These are education, health and environmental conservation. During the year the Group supported the Cornel Ngaleku Children's Centre - an orphanage located in the Kilimanjaro region and Mtwara municipal primary schools.

PRECISION AIR SERVICES PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2015**

29 SECRETARY TO THE BOARD

The Secretary to the Board is responsible for advising the Board on legal and corporate governance matters and, in conjunction with the Chairman, for ensuring the efficient flow of information between the Board, its Committees and Management. All members of the Board and Management have access to his legal advice and services.

30 STATEMENT OF COMPLIANCE

The directors' report has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1 (Directors Report) and constitutes an integral part of the financial statements.

31 AUDITOR

The auditor, PricewaterhouseCoopers, has expressed its willingness to continue in office and is eligible for reappointment. A resolution proposing the reappointment of PricewaterhouseCoopers as auditors of the Company for the year ending 31 March 2016 will be put to the Annual General Meeting.

BY THE ORDER OF THE BOARD

Mr. Michael Shirima
Chairperson

Date

Ms.Sauda Rajab
Managing Director & CEO

Date

PRECISION AIR SERVICES PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2015

The Companies Act, CAP 212 Act No.12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group's and Company's profit or loss for the year. It also requires the directors to ensure that the Group and Company keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and of the Company. They are also responsible for safeguarding the assets of the Group and of the Company and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, CAP 212 Act No.12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company, and of the Group's and Company's loss in accordance with International Financial Reporting Standards (IFRS).

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

The external auditors are responsible for independently reviewing and reporting on the Group's financial statements. The financial statements have been audited by the external auditors and their report is presented on pages 14 and 15.

Subject to the comments and the conclusions made in Note 2 of these financial statements, the directors believe that the Group and Company will remain a going concern for at least twelve months from the date of this report.

Mr. Michael Shirima
Chairperson

Date

Ms.Sauda Rajab
Managing Director & CEO

Date

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC

Report on the financial statements

We have audited the financial statements set out on pages 16 to 74 of Precision Air Services Plc (the “Company”) and its subsidiaries (together, the “Group”), which comprise the Group’s and Company’s statements of financial position as at 31 March 2015, and their respective statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ responsibilities for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, CAP 212 Act No. 12 of 2002, and for such internal controls, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of the Group’s and of the Company’s financial affairs at 31 March 2015 and of their loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.

**REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC**

Report on the financial statements (continued)

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 of the financial statements which shows that:

- 1 The Group
 - a. incurred a net loss of TZS 83.9 billion for the year ended 31 March 2015 (31 March 2014: loss TZS12.1 billion);
 - b. had its current liabilities exceed its current assets at 31 March 2015 by TZS 138.5 billion (31 March 2014: TZS 99.8 billion); and that
 - c. it was also in a shareholders' deficit position at 31 March 2015 of TZS 114.3 billion (31 March 2014: TZS 23.1 billion).
- 2 The Company
 - a. incurred a net loss of TZS 83.1 billion for the year ended 31 March 2015 (31 March 2014: TZS 12.4 billion);
 - b. had its current liabilities exceed its current assets at 31 March 2015 by TZS 135.8 billion (31 March 2014: TZS 97.4 billion); and that
 - c. it was also in a shareholders' deficit position at 31 March 2015 of TZS 113.2 billion (31 March 2014: TZS 22.8 billion).

These conditions, together with the significant uncertainties embodied in management's plan for ensuring the going concern status of the Group and Company, as set forth in Note 2 of the financial statements, indicate the existence of material uncertainties which cast significant doubt on the Group's and Company's ability to continue as a going concern.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the members of Precision Air Services Plc as a body in accordance with the Companies Act, CAP 212 Act No. 12 of 2002 and for no other purposes.

As required by the Companies Act, CAP 212 Act No. 12 of 2002, we are also required to report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Group and Company have not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group and Company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

The Company has not complied with statutory requirements for remittance of statutory deductions and taxes to relevant authorities. The outstanding amount at 31 March 2015 was TZS 22.69 billion (31 March 2014: TZS 25.28 billion).

Patrick Kiambi, ACPA

Date:.....

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

		Group 31-Mar-15	Group 31-Mar-14	Company 31-Mar-15	Company 31-Mar-14
	Note	TZS '000	TZS '000	TZS '000	TZS '000
Revenue	6	105,377,666	141,262,002	100,206,111	135,724,633
Cost of sales	7	(71,457,890)	(99,628,538)	(68,856,522)	(97,114,409)
Gross Profit		33,919,776	41,633,464	31,349,589	38,610,224
Other income	8	1,425,689	1,356,446	1,425,689	1,356,446
Marketing expenses	9	(1,297,835)	(1,711,118)	(1,297,835)	(1,654,065)
Administrative expenses	10	(33,531,022)	(37,207,115)	(30,627,180)	(34,688,159)
Impairment of receivables	18	(19,581,324)	(460,562)	(19,130,271)	(460,562)
Aircraft impairment loss	13	(11,629,514)	-	(11,629,514)	-
Aircraft fair value loss	36	(22,393,486)	-	(22,393,486)	-
		(87,007,492)	(38,022,349)	(83,652,597)	(35,446,340)
Operating (loss)/profit		(53,087,716)	3,611,115	(52,303,008)	3,163,884
Finance costs	11	(8,811,510)	(10,455,200)	(8,800,704)	(10,449,800)
Loss on foreign currency exchange	12	(21,700,860)	(4,555,748)	(21,700,860)	(4,713,214)
Loss before income tax		(83,600,086)	(11,399,833)	(82,804,572)	(11,999,130)
Income tax expense	21(a)	(297,812)	(658,423)	(331,414)	(411,072)
Loss for the year		(83,897,898)	(12,058,256)	(83,135,986)	(12,410,202)
Other comprehensive loss (items that will not be reclassified to profit and loss)					
Aircraft impairment loss (net)	13	(7,265,561)	-	(7,265,561)	-
Total comprehensive loss		(91,163,459)	(12,058,256)	(90,401,547)	(12,410,202)
Loss for the year attributable to the owners of the Parent		(91,163,459)	(12,058,256)	(90,401,547)	(12,410,202)
Earning per share – Basic and diluted (TZS)		(568.10)	(75.14)	(563.36)	(77.34)

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

STATEMENT OF FINANCIAL POSITION

		Group 31-Mar-15	Group 31-Mar-14 (Restated)	Group 31-Mar-13 (Restated)	Company 31-Mar-15	Company 31-Mar-14 (Restated)	Company 31-Mar-13 (Restated)
	Note	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS							
Non-current assets							
Property and equipment	13	122,820,897	223,695,694	242,099,943	121,343,310	221,816,056	240,144,682
Intangible assets	14	333,016	351,698	191,601	104,274	110,747	191,601
Investment in subsidiaries	15	-	-	-	80,419	80,419	80,419
Other non-current assets	16	6,405	5,900	5,699	6,405	5,900	5,699
Deferred income tax	21(d)	19,918	-	-	-	-	-
		123,180,236	224,053,292	242,297,243	121,534,408	222,013,122	240,422,401
Current assets							
Inventories	17	8,874,968	6,803,787	8,621,621	8,874,968	6,803,787	8,621,621
Trade and other receivables	18	8,866,188	20,368,932	17,865,092	10,309,242	22,402,204	19,663,236
Prepayments	19	510,908	1,548,045	1,188,721	510,908	488,514	1,188,721
Other current assets	16	3,614,104	1,622,580	1,886,936	3,614,104	1,622,580	1,886,936
Cash and cash equivalents	20	1,306,581	7,169,375	3,699,167	1,264,584	7,080,885	3,584,824
		23,172,749	37,512,719	33,261,537	24,573,806	38,397,970	34,945,338
Non current assets held for sale	36	46,488,681	-	-	46,488,681	-	-
TOTAL ASSETS		192,841,666	261,566,011	275,558,780	192,596,895	260,411,092	275,367,739
EQUITY AND LIABILITIES							
Equity							
Share capital	22	3,209,396	3,209,396	3,209,396	3,209,396	3,209,396	3,209,396
Share premium	22	10,490,987	10,490,987	10,490,987	10,490,987	10,490,987	10,490,987
Revaluation reserves	22	-	7,265,561	7,265,561	-	7,265,561	7,265,561
Accumulated losses		(127,988,503)	(44,090,605)	(32,032,349)	(126,862,718)	(43,726,732)	(31,316,530)
Shareholders' deficit		(114,288,120)	(23,124,661)	(11,066,405)	(113,162,335)	(22,760,788)	(10,350,586)
Non-current liabilities							
Borrowings	23	145,418,797	147,393,584	167,631,465	145,418,797	147,393,584	167,631,465
Deferred income tax	21(d)	-	24,190	17,897	-	-	-
		145,418,797	147,417,774	167,649,362	145,418,797	147,393,584	167,631,465
Current liabilities							
Borrowings	23	92,862,454	69,795,930	48,459,586	92,862,454	69,795,930	48,459,586
Trade and other payables	24	59,528,260	62,367,706	63,230,245	58,096,006	61,108,863	62,614,875
Sales in advance of carriage		7,738,389	3,561,333	5,811,301	7,738,389	3,561,333	5,811,301
Current income tax	21(c)	1,581,886	1,547,929	1,474,691	1,643,584	1,312,170	1,201,098
		161,710,989	137,272,898	118,975,823	160,340,433	135,778,296	118,086,860
TOTAL EQUITY AND LIABILITIES		192,841,666	261,566,011	275,558,780	192,596,895	260,411,092	275,367,739

The financial statements on pages 16 to 74 were approved by the board of directors and authorised for issue on _____ and were signed on its behalf by:

Name: _____ Title: _____ Signature: _____

Name: _____ Title: _____ Signature: _____

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF CHANGES IN EQUITY

<u>Group</u>	<u>Note 22</u> <u>Issued</u> <u>capital</u> <u>TZS '000</u>	<u>Note 22</u> <u>Share</u> <u>premium</u> <u>TZS '000</u>	<u>Note 13 and 22</u> <u>Revaluation</u> <u>reserve</u> <u>TZS '000</u>	<u>Note 35</u> <u>Cash flow</u> <u>hedge</u> <u>TZS '000</u>	<u>Accumulated</u> <u>losses</u> <u>TZS '000</u>	<u>Total</u> <u>equity</u> <u>TZS '000</u>
At 1 April 2014						
- As previously reported	3,209,396	10,490,987	7,265,561	(17,752,445)	(26,338,160)	(23,124,661)
- Prior year adjustment (Note 35)	-	-	-	17,752,445	(17,752,445)	-
As restated	3,209,396	10,490,987	7,265,561	-	(44,090,605)	(23,124,661)
Loss for the year	-	-	-	-	(83,897,898)	(83,897,898)
Other comprehensive loss – Aircraft impairment loss (net)	-	-	(7,265,561)	-	-	(7,265,561)
Total comprehensive loss	-	-	(7,265,561)	-	(83,897,898)	(91,163,459)
At 31 March 2015	3,209,396	10,490,987	-	-	(127,988,503)	(114,288,120)
At 1 April 2013						
- As previously reported	3,209,396	10,490,987	7,265,561	(17,752,445)	(14,279,904)	(11,066,405)
- Prior year adjustment (Note 35)	-	-	-	17,752,445	(17,752,445)	-
As restated	3,209,396	10,490,987	7,265,561	-	(32,032,349)	(11,066,405)
Loss for the year	-	-	-	-	(12,058,256)	(12,058,256)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(12,058,256)	(12,058,256)
At 31 March 2014	3,209,396	10,490,987	7,265,561	-	(44,090,605)	(23,124,661)

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

<u>Company</u>	<u>Note 22 Issued capital</u> TZS '000	<u>Note 22 Share premium</u> TZS '000	<u>Note 13 and 22 Revaluation reserve</u> TZS '000	<u>Note 35 Cash flow hedge</u> TZS '000	<u>Accumulated losses</u> TZS '000	<u>Total equity</u> TZS '000
At 1 April 2014						
- As previously reported	3,209,396	10,490,987	7,265,561	(17,752,445)	(25,974,287)	(22,760,788)
- Prior year adjustment (Note 35)	-	-	-	17,752,445	(17,752,445)	-
As restated	3,209,396	10,490,987	7,265,561	-	(43,726,732)	(22,760,788)
Loss for the year	-	-	-	-	(83,135,986)	(83,135,986)
Other comprehensive loss – Aircraft impairment loss (net)	-	-	(7,265,561)	-	-	(7,265,561)
Total comprehensive loss	-	-	(7,265,561)	-	(83,135,986)	(90,401,547)
At 31 March 2015	3,209,396	10,490,987	-	-	(126,862,718)	(113,162,335)
At 1 April 2013						
- As previously reported	3,209,396	10,490,987	7,265,561	(17,752,445)	(13,564,085)	(10,350,586)
- Prior year adjustment (Note 35)	-	-	-	17,752,445	(17,752,445)	-
As restated	3,209,396	10,490,987	7,265,561	-	(31,316,530)	(10,350,586)
Loss for the year	-	-	-	-	(12,410,202)	(12,410,202)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(12,410,202)	(12,410,202)
At 31 March 2014	3,209,396	10,490,987	7,265,561	-	(43,726,732)	(22,760,788)

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

STATEMENT OF CASH FLOWS

	Note	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000 (Restated)	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000 (Restated)
Cash generated from operations as previously stated	34	11,769,417	24,185,429	11,315,203	23,230,191
Prior year adjustment	34	-	(3,364,395)	-	(3,364,395)
As restated	34	11,769,417	20,821,034	11,315,203	19,865,796
Interest paid on bank overdrafts		(748,833)	(2,137,604)	(738,027)	(2,132,204)
Income tax paid	21(c)	(307,963)	(578,892)	-	(300,000)
Net cash flows from operating activities as previously stated		10,712,621	21,468,933	10,577,176	20,797,987
Prior year adjustment		-	(3,364,395)	-	(3,364,395)
As restated		10,712,621	18,104,538	10,577,176	17,433,592
Investing activities					
Acquisition of computer software	14	(72,376)	(240,951)	(59,169)	-
Aircraft security (deposit)/refund	16	(1,992,029)	264,158	(1,992,029)	264,158
Proceeds from sale of property and equipment		64,548	8,000	64,548	8,000
Purchase of property and equipment	13	(6,974,858)	(1,837,625)	(6,806,127)	(1,381,777)
Net cash flows used in investing activities		(8,974,715)	(1,806,418)	(8,792,777)	(1,109,619)
Financing activities					
Repayment of borrowings:					
- Interest	23	(1,095,948)	(4,548,892)	(1,095,948)	(4,548,892)
- Principal	23	(4,489,380)	(5,340,764)	(4,489,380)	(5,340,764)
Interest converted to principle	23	-	423,150	-	423,150
Net cash used in financing activities		(5,585,328)	(9,466,506)	(5,585,328)	(9,466,506)
Net (decrease)/increase in cash and cash equivalents		(3,847,422)	6,831,614	(3,800,929)	6,857,467
Cash and cash equivalents at start of the year		(1,674,280)	(8,505,894)	(1,762,770)	(8,620,237)
Cash and cash equivalents at year end	20	(5,521,702)	(1,674,280)	(5,563,699)	(1,762,770)
Analysis of cash and cash equivalents					
Cash and short-term deposits		1,306,581	7,169,375	1,264,584	7,080,885
Bank overdrafts		(6,828,283)	(8,843,655)	(6,828,283)	(8,843,655)
	20	(5,521,702)	(1,674,280)	(5,563,699)	(1,762,770)

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES

1 CORPORATE INFORMATION

The Company is incorporated in Tanzania under the Companies Act, CAP 212 Act No. 12 of 2002, as a limited liability Company and it is domiciled in Tanzania. The Company's shares are publicly traded at the Dar es Salaam Stock Exchange. The wholly owned subsidiaries, Precision Handling Limited and Precise Systems Limited were incorporated in Tanzania during the year 2010 and 2011 respectively and 99 % of their share capital is held by the Company.

The registered office is New Safari Hotel, Boma Road, P. O. Box 1636, Arusha Tanzania. Principal place of business is Diamond Plaza, Mirambo Street, P. O. Box 70770, Dar es Salaam Tanzania.

Principal activities

The principal activities of the Company are regional and domestic air carriage of passengers and cargo. The principal activity of Precision Handling Limited is the provision of ground handling services while that of Precise Systems Limited is to provide computerized reservation system to airlines and travel agents.

2 GOING CONCERN

The Group incurred a net loss of TZS 83.9 billion for the year ended 31 March 2015 (31 March 2014: loss of TZS 12.1 billion) and as at that date, the Group's current liabilities exceeded its current assets by TZS 138.5 billion (31 March 2014: TZS 99.8 billion). The Group was also in a shareholders' deficit position of TZS 114.3 billion as at that date (31 March 2014: TZS 23.1 billion).

Furthermore, the Company incurred a net loss of TZS 83.1 billion for the year ended 31 March 2015 (31 March 2014: loss of TZS 12.4 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 135.8 billion (31 March 2014: TZS 97.4 billion). The Company was also in a shareholders' deficit position of TZS 113.2 billion as at that date (31 March 2014: TZS 22.8 billion).

The directors take note of the fact that continued operating losses, net current liability position, shareholders' deficit position, maturing debt obligations (including significant liabilities in arrears) and cash flow constraints present a material uncertainty that may cast doubt on the company's ability to continue as a going concern and hence its ability to realize its assets and discharge its liabilities in the normal course of business.

The directors however remain confident that the Group and Company will remain a going concern over the next 12 months. In making this assessment the directors have considered in detail all pertinent facts as outlined below;

- a. A thorough review of the budgetary and forecasting process to ascertain whether appropriate assumptions have been considered in developing the Group's forecast.
- b. Consideration of the timing and uncertainty of the cash flows to reflect the underlying maturity of the liabilities and assets.
- c. A review of the Group's loan agreements and borrowing covenants.
- d. Consideration of the Group's financial adaptability.
- e. Review of possible exposures to contingent liabilities.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

2 GOING CONCERN (CONTINUED)

- f. Review of the Group's risk mitigation practices and their adequacy for business related risks such as interest rates, currency exchange rate risk and credit risk.
- g. Continuous improvement and tightening of credit controls to minimize credit losses.
- h. Review of other considerations relevant to business continuity such as maintenance of key suppliers and customers; maintenance of stable labor work force and key staff.
- i. Review of the stability of the Group's cost structure.

The directors and management have consequently taken the following measures to address and mitigate the above conditions;

- a. Conducted a thorough assessment and review of the market (both domestic and regional), competition and competition trends and strengths and the potential impact. Directors are convinced that the domestic Tanzanian market remains largely under serviced and thus presents vast business opportunities that it can tap into by improving its production capacity and product offering. Measures to achieve this have been outlined in a revised 5 year strategic plan.
- b. Revised the 5 year plan taking into account the business outlook both within the country and region and designed a framework for continuous review and monitoring. Main focus points being;
 - o Improve production capacity by having more aircraft operating; ensure reliability and superior product offering thereby getting an opportunity to attract more and higher yielding passengers.
 - o Network and fleet rationalization – focusing on low competition routes with high yield.
 - o Tighter focus on cost control and continuous attack of major operating cost drivers, including change of the Central Reservation System (CRS) system to a web based system to significantly reduce distribution costs, review of agents' commissions to performance based and structured focus on process improvements for operational efficiencies through embracing the World Class Organizational concept (WCO).
 - o Focus on ancillary opportunities and emphasize more on non passenger based revenues, like third party aircraft maintenance, onboard advertising, etc.
 - o Involvement of external consultant to guide and review the implementation of the 5 year strategic plan initiatives.
- c. Progressed negotiations for the Sale and Leaseback of 6 aircrafts and outright sale (naked sale) of 3 others. A term sheet is already available for the agreement. The Sale and Leaseback (SLB) transaction and terms have been agreed on jointly between the potential lessor and the aircraft lenders and provides for among other things;
 - o Substantial payoff of the outstanding aircraft liabilities. This will substantially deleverage the Group and will ease pressure on cash flow attributed to payoff of loans.
 - o Subsequent restructure of the terms of repayment for the balance of aircraft liabilities post SLB to suit the "cash paying ability" of the Group going forward.
 - o Retention of an agreed amount of money from the SLB deal dedicated to the recovery of engines. This will provide the Group with an opportunity to improve operating capacity, generate more revenues, service the loans better and secure smooth operations of the business.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

2 GOING CONCERN (CONTINUED)

- Guarantees to be provided by the current equity holders.
 - Initial payment to preferred/statutory creditors and thereafter structured negotiation and payment plans for outstanding balances, including negotiations for waiver of penalties and interest on overdue balances.
 - One year moratorium during which payment for outstanding aircraft loans post the SLB will be deferred.
- d. Entered into contracts for guaranteed supply of key operational services such as fuel and technical spares for maintenance. This includes an arrangement with Maintainance Repair Overhaul (MRO) for recovery of engines, through which a total of 6 engines have already been recovered.
- e. Continuous search for a private equity investor – the Group is currently in discussion with a potential investor.

Key sources of uncertainties in the plans to mitigate the going concern risk

The following are the key sources of uncertainties in the plans to mitigate the going concern risk:

- a. Successful conclusion of the sale and leaseback transaction during the year ending 31 March 2016 (refer to Note 5 (iv)).
- b. Operation of 7, 9, 10, 12, 13 and 14 aircrafts respectively for the years ending on 31 March 2016, 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021. Only 4 aircrafts were in operation during the year ended 31 March 2015.
- c. Progressive annual growth of passenger numbers by 44%, 9%, 9%, 29%, 10% and 6% respectively for the years ending on 31 March 2016, 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021.
- d. Achievement of average passenger fares of USD 117, USD 116, USD 115, USD 120, USD 125 and USD 129 respectively for the years ending on 31 March 2016, 31 March 2017, 31 March 2018, 31 March 2019, 31 March 2020 and 31 March 2021. The average passenger fare realised during the year ended 31 March 2015 was USD 100.
- e. Achievement of significant cost reductions and working capital improvements beyond current levels.
- f. Successful conclusion of negotiations of debt (including arrears) repayment plans with lenders and other creditors.
- g. Waiver of penalties and interest by lenders and other creditors.
- h. Unknown impact of foreign currency exchange rate movements on the 5 year plan which is prepared in USD whilst the functional and presentation currency is the TZS.

After due consideration of the opportunities available in the market, the planned measures as outlined above, and the key sources of uncertainties outlined above, the directors believe that the Group and Company will have adequate resources and have arrangements in place to ensure continued operational existence in the next 12 months and thus continues to adopt the going concern basis for the preparation of the financial statements.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention unless otherwise specified in the accounting policies below. The financial statements are presented in Tanzanian Shillings (TZS), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

Changes in accounting policies and disclosures

(i) New standards, amendments and interpretations adopted

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2014:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of Cash Generating Units (CGUs) which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the financial statements.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant effect on the financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the need to pay a levy and when a liability should be recognised.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

(i) New standards, amendments and interpretations adopted (continued)

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 April 2014 are not material to the Group.

(ii) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation – Subsidiaries

Subsidiaries are all entities (including structured 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.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Tanzanian Shilling ("TZS") which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities at the statement of financial position date, which are expressed in foreign currencies, are translated into Tanzanian Shillings at the rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within the 'foreign currencies' (Note 12).

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in its normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(e) Revenue

Passenger ticket and cargo airway bills, net of discounts, are recorded as current liabilities in 'sales in advance of carriage' account. When the transportation service is provided, the corresponding amounts are transferred to revenue from 'sales in advance of carriage' account.

Commission costs are recognized at the same time as the revenue to which they relate and are charged to cost of sales.

The Group has a program to reward its passengers which is designed to award the frequent flying passengers with free or discounted services. The level of bonus points earned by passengers under the reward program determines the reward they are entitled to. The Group accounts for the obligation to provide free or discounted services offered to the passengers under the reward program using the incremental costs method. The estimated incremental cost to provide free or discounted services is recognized as expenses and accrued as a current liability when passengers are entitled to bonus points. When passengers redeem awards or their entitlements expire, the incremental cost liability is reduced accordingly to reflect the outstanding obligations.

Unutilized expired tickets are recognized as revenue when the holder of the ticket is no longer entitled to the refund.

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

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

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a First in First Out (FIFO) basis and includes transport and handling charges. Provision is made for obsolete, slow moving and defective stocks. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Property and equipment

Motor vehicles, furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment. Work in progress is stated at cost less accumulated impairment, and is transferred to the respective category of property and equipment when it is available for use. Work in progress is not depreciated. The cost of work in progress (hangar) includes the borrowing costs for long-term construction projects if the recognition criteria are met. Aircraft and aircraft components are carried at fair value less accumulated depreciation and accumulated impairment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major repairs of aircraft components – airframe, engines and landing gears are initially capitalized and depreciated on an hourly usage basis up to the next overhaul. Routine maintenance costs including annual airframe checks are written off to profit or loss in the accounting period in which they are incurred.

Depreciation is calculated on a straight-line basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives. The annual depreciation rates in use are:

Aircraft	<u>%</u> 6.75
Aircraft components	on hourly usage basis up to next overhaul
Aircraft improvements	20.00 – 25.00
Motor vehicles	20.00 – 25.00
Computers	25.00 – 33.33
Furniture, equipment and structures	12.50 – 15.00

Aircrafts were revalued in 2011 by a professional valuer. Revaluation of aircraft is done every three to five years. Upon revaluation, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is recognised in other comprehensive income and accumulated in the revaluation reserve as a separate component of equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that a deficit directly offsets a previous surplus on the same asset, in which case it is recognised in other comprehensive income as an offset against the surplus in the asset revaluation reserve.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property and equipment (continued)

A transfer from the asset revaluation reserve to retained earnings is made when the asset is disposed of.

The assets' residual values, useful lives and methods are reviewed and adjusted prospectively if appropriate at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(j)).

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Intangible assets – Computer software

Intangible assets are measured on initial recognition at cost. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired (Note 2(j)). The annual rate of amortisation which has been consistently applied is 20%.

The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Cash flow hedges

Loan repayment instalments denominated in US dollars are designated as cash flow hedges of highly probable future foreign currency revenues. The effective portion of exchange differences arising from the translation of these loan repayment instalments is recognised directly as other comprehensive income and accumulated in the cash flow hedge reserve in equity in accordance with IAS 39 requirements and subsequently reflected in profit or loss when either the future revenue impacts income or its occurrence is no longer expected to occur. Any ineffective portion is recognised immediately in profit or loss in operating foreign exchange expenses.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short term deposits with an original maturity of three months or less.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash and cash equivalent as defined above, net of outstanding bank overdrafts.

(n) Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Group.

The Group has a statutory requirement to contribute to publicly administered pension schemes (defined contribution schemes). The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefits expense when they are due.

The estimated monetary liability for employees' accrued entitlements at the reporting date is recognized as accrued expenses.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial assets

(i) Classification

The Group's financial assets include loans and receivables, and cash and bank balances. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(ii) Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

(iii) Offsetting financial instruments

Financial assets and 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 amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(p) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of financial assets (continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

(q) Financial liabilities

Financial liabilities include trade and other payables, accruals and borrowings. The Group does not have any financial liabilities at fair value through profit or loss or other instruments classified as held for trading which are carried on the statement of financial position at fair value with gains or losses recognized in profit or loss.

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method.

(s) Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Derecognition of financial assets and liabilities (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(t) Dividend distribution

Dividend distribution to the shareholders is charged to equity and recognized as a liability in the Group's financial statements in the period in which they are declared, and after being approved by the shareholders at the Annual General Meeting.

(u) Taxation

Income tax represents the sum of the current and deferred tax.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date. The current rate of corporation tax is 30% (2014: 25%).

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Taxation (continued)

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised outside profit or loss is also recognised outside profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognised at amounts net of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority in which case the value added tax is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable.

Receivables and payables are stated with the amount of Value added Tax (VAT) included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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 are shown in equity as deduction from the proceeds.

(w) Non current assets held for trade

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The notes below provide detailed information on each of the above risks and the Group's objectives, policies and processes for measuring and managing risk.

a. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet obligations associated with financial instruments. The Group manages its liquidity risk to ensure it is able to meet estimated expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents.

The Group's liquidity is managed by forecasting the cash and currency requirements. The table below analyses the financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Liquidity risk (continued)

The amounts disclosed in the table below are the contractual undiscounted cash flows;

Group	On demand TZS' 000	Less than 1 year TZS' 000	1 to 5 years TZS'000	After 5 years TZS' 000	Total TZS' 000
At 31 March 2015					
Borrowings	6,828,283	86,034,171	125,633,474	26,709,006	245,204,934
Trade and other payables	-	36,836,282	-	-	36,836,282
	6,828,283	122,870,453	125,633,474	26,709,006	282,041,216
At 31 March 2014					
Borrowings	9,000,000	65,000,000	84,000,000	122,000,000	280,000,000
Trade and other payables	-	37,089,044	-	-	37,089,044
	9,000,000	102,089,044	84,000,000	122,000,000	317,089,044
Company					
At 31 March 2015					
Borrowings	6,828,283	86,034,171	125,633,474	26,709,006	245,204,934
Trade and other payables	-	35,404,028	-	-	35,404,028
	6,828,283	121,438,199	125,633,474	26,709,006	280,608,962
At 31 March 2014					
Borrowings	9,000,000	65,000,000	84,000,000	122,000,000	280,000,000
Trade and other payables	-	35,830,201	-	-	35,830,201
	9,000,000	100,830,201	84,000,000	122,000,000	315,830,201

As discussed in Note 2 and Note 23, the Group and Company have not met their debt repayment obligations and have substantial arrears. On successful conclusion of the sale and lease back transaction discussed in Note 2 and Note 37, a significant portion of the proceeds will be used to partially settle debt obligations. Additionally, management intend to negotiate a revised debt repayment plan. On this basis, the maturity disclosures above for borrowings may not be meaningful.

b. Treasury risk management

The Group operates a treasury function to provide competitive funding costs, invest and monitor financial risk. The Group does not use derivative financial instruments for speculative purposes.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Foreign currency risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group can experience adverse or beneficial effects arising from foreign exchange rate movements. The Group seeks to reduce foreign exchange exposures arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, either at spot or forward rates, for US dollars or Tanzanian Shillings.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, on profit before tax and equity. The exposure is determined at Company level since the net effect of the incremental foreign currency denominated balances at Group level is not material.

	Increase/decrease in the value of TZS vs. US\$	Effect on profit before tax TZS'000	Effect on equity TZS'000
Net effect based on statement of financial position as at 31 March 2015	3%	7,508,800	5,256,160
Net effect based on statement of financial position as at 31 March 2014	3%	6,703,000	4,692,100

d. Interest rate risk

The Group has adopted a non- speculative approach to the management of interest rate risk. For the past twelve months, there have been no significant changes in interest rates obtained by the Group from its Bankers for its borrowings. Furthermore, no significant change in interest rates is expected for the coming twelve months.

The following table demonstrates the sensitivity to possible changes in interest, with all other variables held constant, on the Group's profit before tax and equity:

	Increase / decrease in interest rate	Effect on profit before tax TZS'000	Effect on equity TZS'000
<u>Group and Company</u>			
Net effect based on statement of financial position as at 31 March 2015	1%	2,382,813	1,667,969
Net effect based on statement of financial position as at 31 March 2014	1%	2,171,895	1,520,327

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

e. Credit risk management

Credit risk is the risk that a customer or counter party to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. Concentration of credit risk relates principally to short term cash and cash equivalents, and trade receivables. The Group deposits short term cash surpluses with banks considered to be reputable. These banks do not have independent credit ratings.

The Group has a credit policy that is designed to ensure that consistent processes are in place throughout the Group to measure and control credit risk. Credit risk is considered as part of the risk-reward balance of doing business. On entering into any business contract, the extent to which the arrangement exposes the Group to credit risk is considered. Key requirements of the policy are formal delegated authorities to the sales and marketing teams to incur credit risk and to a specialized credit function to set counterparty limits.

Trade account receivables comprise a widespread customer base. Ongoing credit evaluation of the financial position of customers is performed. The granting of credit is made on application and is approved by the directors.

Trade receivables are presented net of allowance for doubtful debts. With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. The analysis of trade and other receivables is shown on Note 18.

Maximum exposure

The amount that best represents the Group's maximum exposure to credit risk at 31 March is made up of as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>
Cash and short-term deposits	1,306,581	7,169,375	1,264,584	7,080,885
Trade and other receivables	8,819,560	20,322,922	10,262,614	22,356,194
	<u>10,126,141</u>	<u>27,492,297</u>	<u>11,527,198</u>	<u>29,437,079</u>

f. Fuel price risk

The Group's fuel risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices. To meet this objective, the Group's strategy is to charge fuel surcharge for every ticket sold.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i. Impairment of aircrafts

Aircrafts were revalued in 2011 by a professional valuer. Revaluation of aircraft is done every three to five years or in a lesser period when evidence indicates that the values have significantly changed.

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

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

During the year, the Group and Company recorded a total impairment charge of TZS 18,895 million (Note 13) and fair value loss of TZS 22,393 million (Note 36).

ii. Impairment of trade and other receivables

The Group assesses recoverability of trade and other receivables where there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of trade. The carrying amount of trade receivables is reduced to reflect the recoverable amount. Impairment provision for trade receivables at year end is disclosed on Note 18.

iii. Useful lives of aircraft and aircraft components

Critical estimates are made by the Directors in determining the useful lives and residual values of aircraft and aircraft components based on their intended use and the economic lives of those assets. The useful lives and residual values adopted are consistent with industry practice. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. The useful lives of assets are disclosed in Note 3(g). A 10% change of the useful lives would increase or reduce the depreciation charge by TZS 1,895 million.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

iv. Sale and leaseback (SLB) transaction

Significant judgement has been taken by the directors in concluding that the SLB transaction explained in Note 2 is highly probable. This judgement is fundamental to adoption of the going concern basis of preparing the financial statements. The highly probable SLB transactions has also resulted in an impairment charge and fair value loss for aircraft and aircraft components (Notes 13 and 36).

Based on the SLB transaction being highly probable, and the draft SLB agreement documentation, 3 aircraft subject to outright sale (naked sale) are classified as non current assets held for trade and 6 aircraft subject to SLB are included in property and equipment.

v. Going concern basis

These financial statements do not reflect adjustments that would be necessary if both the Group and the Company were unable to continue as a "going concern". While the directors and management believe that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements, there can be no absolute assurance that these actions will be successful.

If the Group and Company were unable to continue as a going concern, substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the classifications used on the statement of financial position.

Significant assumptions underlying the going concern basis of preparation of these financial statements are disclosed in Note 2.

vi. Income taxes

Significant judgement is required in determining the overall income tax provision. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Group and the Company recognise liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and any deferred tax provisions in the period in which the determination is made.

The directors have exercised significant judgement in concluding that sufficient taxable profits will not be available in the foreseeable future to utilise the net deferred tax asset (Note 21) that has not been recognised.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

6 REVENUE	Group	Group	Company	Company
	<u>31-Mar-15</u>	<u>31-Mar-14</u>	<u>31-Mar-15</u>	<u>31-Mar-14</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Passenger revenue	74,961,553	104,484,175	74,961,553	104,484,175
Passenger interline revenue	1,595,056	-	1,595,056	-
Freight and mail	819,040	1,455,715	819,040	1,455,715
Commission	5,171,555	5,343,424	-	-
Connection and access fees	-	151,845	-	-
Training income	-	42,100	-	-
Fuel surcharge	22,830,462	29,784,743	22,830,462	29,784,743
	<u>105,377,666</u>	<u>141,262,002</u>	<u>100,206,111</u>	<u>135,724,633</u>
7 COST OF SALES				
Fuel and oil	17,245,274	28,909,718	17,245,274	28,909,718
Lease of aircraft and engines	2,881,416	4,144,974	2,881,416	4,144,974
Aircraft landing, handling and navigation	5,232,453	7,637,834	5,232,453	7,637,834
Aircraft maintenance	7,207,081	16,696,416	7,207,081	16,696,416
Depreciation of aircraft components	855,944	1,075,505	855,944	1,075,505
Depreciation of aircraft and engines	18,094,150	18,096,132	18,094,150	18,096,132
Passenger services	1,780,739	2,519,583	1,780,739	2,519,583
Commission on sales	3,546,052	5,981,275	3,546,052	4,345,064
Aircraft, passengers and cargo insurance	71,311	196,157	71,311	196,157
Crew route expenses	1,625,253	1,403,992	1,625,253	1,403,992
Internet service charges	-	643,782	-	-
Centralised reservation systems	10,076,786	11,593,153	10,076,786	11,593,153
Aircraft cleaning and certification	240,063	495,881	240,063	495,881
Other	2,601,368	234,136	-	-
	<u>71,457,890</u>	<u>99,628,538</u>	<u>68,856,522</u>	<u>97,114,409</u>
8 OTHER INCOME				
Cancellation income	131,067	78,941	131,067	78,941
Gain/(loss) on disposal of property and equipment	59,565	(3,500)	59,565	(3,500)
Passenger interline revenue	-	187,232	-	187,232
No show and other charges	943,573	996,922	943,573	996,922
Miscellaneous	291,484	96,851	291,484	96,851
	<u>1,425,689</u>	<u>1,356,446</u>	<u>1,425,689</u>	<u>1,356,446</u>

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NOTES (CONTINUED)

9	MARKETING EXPENSES	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000
	Advertising and publicity	1,292,895	1,688,393	1,292,895	1,653,853
	Entertainment	4,940	22,725	4,940	212
		<u>1,297,835</u>	<u>1,711,118</u>	<u>1,297,835</u>	<u>1,654,065</u>
10	ADMINISTRATIVE EXPENSES				
	Staff costs:				
	- Salaries and wages	16,823,429	19,359,027	16,823,429	18,564,067
	- Contribution to pension funds	1,317,691	1,774,860	1,317,691	1,697,024
	- Payroll levies	757,500	957,298	757,500	916,539
	- Other employment costs	2,289,104	2,018,062	2,289,104	1,811,400
	Bank charges	201,145	370,428	201,145	361,063
	Motor vehicle expenses	1,943,963	1,761,603	1,943,963	1,712,661
	Legal and professional fees	1,805,039	1,035,645	1,805,039	1,015,645
	Rent, maintenance and supplies	3,250,072	2,769,354	3,250,072	2,477,394
	Taxes and levies	716,878	4,410,990	716,878	4,404,006
	General specified expenses	3,134,826	1,522,619	827,182	1,042,641
	Amortization of intangible assets	91,058	80,854	65,642	80,854
	Board meeting expenses	77,389	74,839	77,389	74,839
	Donations	5,592	12,799	5,592	2,760
	Depreciation of motor vehicles, computers, furniture and equipment	1,117,336	1,058,737	546,554	527,266
		<u>33,531,022</u>	<u>37,207,115</u>	<u>30,627,180</u>	<u>34,688,159</u>
11	FINANCE COSTS				
	<i>Interest on borrowings:</i>				
	- Overdrafts	748,833	2,137,604	738,027	2,132,204
	- Term loans	8,062,677	8,317,596	8,062,677	8,317,596
		<u>8,811,510</u>	<u>10,455,200</u>	<u>8,800,704</u>	<u>10,449,800</u>
12	FOREIGN CURRENCIES				
	Loss on foreign currency exchange on borrowings	20,629,760	5,608,776	20,629,760	5,608,776
	Loss/(gain) on foreign exchange on other items	1,071,100	(1,053,028)	1,071,100	(895,562)
		<u>21,700,860</u>	<u>4,555,748</u>	<u>21,700,860</u>	<u>4,713,214</u>

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NOTES (CONTINUED)

13 PROPERTY AND EQUIPMENT- GROUP

	Note	Aircraft and Aircraft components	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress (Hanger)	Total
		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<u>Cost or valuation:</u>							
At 1 April 2014		300,618,823	1,399,312	2,181,099	3,464,333	10,155,367	317,818,934
Additions		6,188,990	-	207,244	282,507	296,117	6,974,858
Disposals		-	(18,391)	-	-	-	(18,391)
Transfer to non current assets held for sale	36	(92,688,805)	-	-	-	-	(92,688,805)
Transfer from work in progress		-	-	-	10,155,366	(10,155,366)	-
At 31 March 2015		214,119,008	1,380,921	2,388,343	13,902,206	296,118	232,086,596
<u>Depreciation and impairment:</u>							
At 1 April 2014		90,217,685	897,090	1,474,840	1,533,625	-	94,123,240
Charge for the year		18,950,094	203,179	458,265	455,892	-	20,067,430
Impairment charge		18,895,075	-	-	-	-	18,895,075
Disposals		-	(13,408)	-	-	-	(13,408)
Transfer to non current assets held for sale	36	(23,806,638)	-	-	-	-	(23,806,638)
At 31 March 2015		104,256,216	1,086,861	1,933,105	1,989,517	-	109,265,699
<u>Carrying amount</u>							
At 31 March 2015		109,862,792	294,060	455,238	11,912,689	296,118	122,820,897
At 31 March 2014		210,401,138	502,222	706,259	1,930,708	10,155,367	223,695,694

- Refer to Note 23 for assets pledged as security.
- Impairment charge is based on the indicative prices under discussion for the highly probable sale and leaseback transaction (Note 5 (iv)).
- Outright sale (naked sale) of 3 aircraft through the highly probable sale and lease back transaction (Notes 5 (iv)) have been reclassified to non current assets held for sale.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

13 PROPERTY AND EQUIPMENT (CONTINUED) - GROUP

	<u>Aircraft and Aircraft components</u>	<u>Motor vehicles</u>	<u>Computers</u>	<u>Furniture, equipment and structures</u>	<u>Work in progress (Hanger)</u>	<u>Total</u>
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<u>Cost or valuation:</u>						
At 1 April 2013	300,548,915	910,893	1,847,458	2,933,449	9,773,064	316,013,779
Additions	69,908	520,889	333,641	530,884	382,303	1,837,625
Disposals	-	(32,470)	-	-	-	(32,470)
At 31 March 2014	<u>300,618,823</u>	<u>1,399,312</u>	<u>2,181,099</u>	<u>3,464,333</u>	<u>10,155,367</u>	<u>317,818,934</u>
<u>Depreciation & impairment:</u>						
At 1 April 2013	71,046,048	677,011	1,074,946	1,115,831	-	73,913,836
Depreciation charge	19,171,637	241,049	399,894	417,794	-	20,230,374
Disposals	-	(20,970)	-	-	-	(20,970)
At 31 March 2014	<u>90,217,685</u>	<u>897,090</u>	<u>1,474,840</u>	<u>1,533,625</u>	<u>-</u>	<u>94,123,240</u>
<u>Carrying amount</u>						
At 31 March 2014	<u>210,401,138</u>	<u>502,222</u>	<u>706,259</u>	<u>1,930,708</u>	<u>10,155,367</u>	<u>223,695,694</u>
At 31 March 2013	<u>229,502,867</u>	<u>233,882</u>	<u>777,512</u>	<u>1,817,618</u>	<u>9,773,064</u>	<u>242,099,943</u>

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FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

13 PROPERTY AND EQUIPMENT (CONTINUED) - COMPANY

	Note	Aircraft and Aircraft components	Motor Vehicles	Computers	Furniture, Equipment and structures	Work in progress (Hanger)	Total
		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost or valuation:							
At 1 April 2014		300,618,823	1,371,517	1,256,731	1,266,024	10,155,367	314,668,462
Additions		6,188,990	-	40,897	280,123	296,117	6,806,127
Disposals		-	(18,391)	-	-	-	(18,391)
Transfer from work in progress		-	-	-	10,155,366	(10,155,366)	-
Transfer to no current assets held for sale	36	(92,688,805)	-	-	-	-	(92,688,805)
At 31 March 2015		214,119,008	1,353,126	1,297,628	11,701,513	296,118	228,767,393
Depreciation and impairment:							
At 1 April 2014		90,217,685	877,477	1,063,235	694,009	-	92,852,406
Depreciation charge		18,950,094	201,892	118,726	225,936	-	19,496,648
Impairment charge		18,895,075	-	-	-	-	18,895,075
Disposals		-	(13,408)	-	-	-	(13,408)
Transfer to no current assets held for sale	36	(23,806,638)	-	-	-	-	(23,806,638)
At 31 March 2015		104,256,216	1,065,961	1,181,961	919,945	-	107,424,083
Carrying amount							
At 31 March 2015		109,862,792	287,165	115,667	10,781,568	296,118	121,343,310
At 31 March 2014		210,401,138	494,040	193,496	572,015	10,155,367	221,816,056

- Refer to Note 23 for assets pledged as security.
- Impairment charge is based on the indicative prices under discussion for the highly probable sale and leaseback transaction (Note 5 (iv)).
- Outright sale (naked sale) of 3 aircraft through the highly probable sale and lease back transaction (Notes 5 (iv)) have been reclassified to non current assets held for sale.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

13 PROPERTY AND EQUIPMENT (CONTINUED) - COMPANY

	Aircraft and Aircraft components	Motor Vehicles	Computers	Furniture, Equipment and structures	Work in progress (Hanger)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<u>Cost or valuation:</u>						
At 1 April 2013	300,548,915	882,945	1,136,080	978,151	9,773,064	313,319,155
Additions	69,908	521,042	120,651	287,873	382,303	1,381,777
Disposals	-	(32,470)	-	-	-	(32,470)
At 31 March 2014	300,618,823	1,371,517	1,256,731	1,266,024	10,155,367	314,668,462
<u>Depreciation and impairment:</u>						
At 1 April 2013	71,046,048	658,685	928,960	540,780	-	73,174,473
Depreciation charge	19,171,637	239,762	134,275	153,229	-	19,698,903
Disposals	-	(20,970)	-	-	-	(20,970)
At 31 March 2014	90,217,685	877,477	1,063,235	694,009	-	92,852,406
<u>Carrying amount</u>						
At 31 March 2014	210,401,138	494,040	193,496	572,015	10,155,367	221,816,056
At 31 March 2013	229,502,867	224,260	207,120	437,371	9,773,064	240,144,682

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

13 PROPERTY AND EQUIPMENT (CONTINUED) - GROUP AND COMPANY

If the aircrafts were measured using the cost model, the carrying amounts would be as follows:

	<u>31-Mar-15</u> TZS '000	<u>31-Mar-14</u> TZS '000
Cost	214,119,008	290,931,408
Accumulated depreciation and impairment	(104,256,216)	(90,217,685)
Carrying amount	<u>109,862,792</u>	<u>200,713,723</u>

Impairment charge in 2015

TZS '000

Carrying amount	62,755,394
Valuation	(43,859,640)
Total impairment charge	<u>18,895,075</u>
Charged to OCI	(7,265,561)
Charged to income statement	<u>11,629,514</u>

All aircraft and aircraft components are carried at fair value. The fair value of the aircraft and aircraft components is based on the purchase price included in the draft sale and leaseback agreement document.

14 INTANGIBLE ASSETS

	<u>Group</u> <u>31-Mar-15</u> TZS '000	<u>Group</u> <u>31-Mar-14</u> TZS '000	<u>Company</u> <u>31-Mar-15</u> TZS '000	<u>Company</u> <u>31-Mar-14</u> TZS '000
<u>Computer software</u>				
<u>Cost</u>				
At start of the year	1,142,614	901,663	901,663	901,663
Additions	72,376	240,951	59,169	-
At end of the year	<u>1,214,990</u>	<u>1,142,614</u>	<u>960,832</u>	<u>901,663</u>
<u>Accumulated amortisation</u>				
At start of the year	790,916	710,062	790,916	710,062
Charge for the year	91,058	80,854	65,642	80,854
At end of the year	<u>881,974</u>	<u>790,916</u>	<u>856,558</u>	<u>790,916</u>
Carrying amount	<u>333,016</u>	<u>351,698</u>	<u>104,274</u>	<u>110,747</u>

15 INVESTMENT IN SUBSIDIARIES

Precision Handling Limited- equity	-	-	-	-
Precise Systems Limited - equity	-	-	80,419	80,419
	<u>-</u>	<u>-</u>	<u>80,419</u>	<u>80,419</u>

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

15 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company's investment in subsidiaries represents investments in Precision Handling Limited and Precise Systems Limited.

- Precision Handling Limited was incorporated in Tanzania during the year 2010 and 100% of its share capital is held by the Company. The subsidiary provides ground handling services to Precision Air Services Plc and is yet to obtain a licence to also serve other airlines. The subsidiary's share capital is yet to be allotted and paid pending obtaining of licence to serve third parties.
- Precise Systems Limited was incorporated in Tanzania on 25 August 2011 and 99% of its share capital is held by the Company. The subsidiary distributes the Galileo Reservation system to Airlines and Travel Agents in Tanzania. The Subsidiary commenced operations on 1 July 2012.

Set out below are the summarised financial information for each of the two subsidiaries; Precision Handling Limited and Precise Systems Limited.

	<u>Total assets</u> TZS '000	<u>Total liabilities</u> TZS '000	<u>Revenue</u> TZS '000	<u>(Loss)/Profit</u> TZS '000
<u>Year ended 31 March 2015</u>				
Precision Handling Limited	<u>964,543</u>	<u>2,808,032</u>	<u>-</u>	<u>(202,225)</u>
Precise Systems Limited	<u>2,804,311</u>	<u>1,751,007</u>	<u>5,171,555</u>	<u>(559,687)</u>
<u>Year ended 31 March 2014</u>				
Precision Handling Limited	<u>1,368,992</u>	<u>2,808,032</u>	<u>-</u>	<u>(52,974)</u>
Precise Systems Limited	<u>2,974,378</u>	<u>1,438,372</u>	<u>5,537,369</u>	<u>404,920</u>

PRECISION AIR SERVICES PLC

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FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

16 OTHER ASSETS	Group <u>31-Mar-15</u> TZS '000	Group <u>31-Mar-14</u> TZS '000	Company <u>31-Mar-15</u> TZS '000	Company <u>31-Mar-14</u> TZS '000
SITA Global Investment	6,405	5,900	6,405	5,900
Aircraft engine security deposit	858,450	-	858,450	-
IATA security deposit	2,001,824	-	2,001,824	-
Credit card security deposit	236,309	-	236,309	-
Aircraft security deposit	517,521	1,622,580	517,521	1,622,580
	<u>3,620,509</u>	<u>1,628,480</u>	<u>3,620,509</u>	<u>1,628,480</u>
Current portion	3,614,104	1,622,580	3,614,104	1,622,580
Non current portion	6,405	5,900	6,405	5,900
	<u>3,620,509</u>	<u>1,628,480</u>	<u>3,620,509</u>	<u>1,628,480</u>

Other assets relate to cash deposited by the Company to third parties. The deposits do not attract any interest.

The movement in deposit is as follows:

	Group <u>31-Mar-15</u> TZS '000	Group <u>31-Mar-14</u> TZS '000	Company <u>31-Mar-15</u> TZS '000	Company <u>31-Mar-14</u> TZS '000
At start of the year	1,628,480	1,892,638	1,628,480	1,892,638
Additions	1,992,029	-	1,992,029	-
Refunds during the year	-	(264,158)	-	(264,158)
At the end of the year	<u>3,620,509</u>	<u>1,628,480</u>	<u>3,620,509</u>	<u>1,628,480</u>

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

17 INVENTORIES	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000
Aircraft spare parts	8,568,557	6,304,960	8,568,557	6,304,960
Fuel and stationeries	530,262	498,827	530,262	498,827
Stock provisions	(223,851)	-	(223,851)	-
	8,874,968	6,803,787	8,874,968	6,803,787

There was no inventory pledged as security for liabilities as at year end (2014: Nil)

18 TRADE AND OTHER RECEIVABLES

	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000
Trade receivables - third party	27,561,920	17,940,234	25,475,626	17,075,713
Inward bills control	9,605,235	10,890,284	9,605,235	10,890,284
Less: Allowance for credit losses	(28,546,730)	(9,698,669)	(28,095,677)	(9,698,669)
	8,620,425	19,131,849	6,985,184	18,267,328
Due from related parties (Note 25)	143,369	-	3,221,664	3,053,854
Advances to suppliers	46,628	46,010	46,628	46,010
Staff loans, advances and imprests	39,137	797,164	39,137	797,164
Other receivables	749,892	393,909	749,892	237,848
Provision for other receivables	(733,263)	-	(733,263)	-
	8,866,188	20,368,932	10,309,242	22,402,204
<i>Movement in allowance account:</i>				
At start of the year	9,698,669	9,238,107	9,698,669	9,238,107
Addition				
- Trade receivables	18,848,061	460,562	18,397,008	460,562
- Other receivables	733,263	-	733,263	-
Sub total	19,581,324	460,562	19,130,271	460,562
At end of the year	29,279,993	9,698,669	28,828,940	9,698,669
Comprising provision for:				
Trade receivables	28,546,730	9,698,669	28,095,677	9,698,669
Other receivables	733,263	-	733,263	-
Total	29,279,993	9,698,669	28,828,940	9,698,669
<i>Trade receivables age analysis:</i>				
Neither past due nor impaired	12,397	18,740,409	12,397	17,875,888
Past due but not impaired	8,608,028	391,440	6,972,787	391,440
Overdue and fully impaired	28,546,730	9,698,669	28,095,677	9,698,669
Total	37,167,155	28,830,518	35,080,861	27,965,997

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables comprise of the following amounts denominated in foreign currencies:

		Group <u>31-Mar-15</u> TZS '000	Group <u>31-Mar-14</u> TZS '000	Company <u>31-Mar-15</u> TZS '000	Company <u>31-Mar-14</u> TZS '000
United States Dollars	USD	5,373,508	4,942,459	5,373,508	4,077,938
Euro	EURO	1,044,632	1,097,381	1,044,632	1,097,381
Sterling Pound	GBP	187,908	189,579	187,908	189,579
Australian Dollars	UAD	-	83,585	-	83,585
Canadian Dollars	CAD	72,907	42,527	72,907	42,527
South African Rand	ZAR	175,284	132,936	175,284	132,936
Kenya Shillings	KES	74,070	171,672	74,070	171,672
		<u>6,928,309</u>	<u>6,660,139</u>	<u>6,928,309</u>	<u>5,795,618</u>

19 PREPAYMENTS

	Group <u>31-Mar-15</u>	Group <u>31-Mar-14</u>	Company <u>31-Mar-15</u>	Company <u>31-Mar-14</u>
Prepaid insurance	33,187	30,248	33,187	-
Prepaid rent	107,397	156,419	107,397	107,397
Prepaid marketing expenses	370,324	1,248,951	370,324	361,330
Other	-	112,427	-	19,787
	<u>510,908</u>	<u>1,548,045</u>	<u>510,908</u>	<u>488,514</u>

Prepayments are non-interest bearing and are non-refundable. They are amortised over the period they cover.

20 CASH AND CASH EQUIVALENTS

	Group <u>31-Mar-15</u> TZS '000	Group <u>31-Mar-14</u> TZS '000	Company <u>31-Mar-15</u> TZS '000	Company <u>31-Mar-14</u> TZS '000
Cash and short-term deposits	1,306,581	7,169,375	1,264,584	7,080,885
Bank overdraft (Note 23)	<u>(6,828,283)</u>	<u>(8,843,655)</u>	<u>(6,828,283)</u>	<u>(8,843,655)</u>
	<u>(5,521,702)</u>	<u>(1,674,280)</u>	<u>(5,563,699)</u>	<u>(1,762,770)</u>

Cash and bank balances comprise of the following amounts denominated in foreign currency:

		Group <u>31-Mar-15</u> TZS '000	Group <u>31-Mar-14</u> TZS '000	Company <u>31-Mar-15</u> TZS '000	Company <u>31-Mar-14</u> TZS '000
United States Dollars	USD	343,769	2,555,527	342,149	2,467,037
Euro	EURO	111,407	322,614	111,407	322,614
South African Rand	ZAR	243,694	(12,697)	243,694	(12,697)
Kenya Shilling	KES	4,807	-	4,807	-
		<u>703,677</u>	<u>2,865,444</u>	<u>697,250</u>	<u>2,776,954</u>

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

21 INCOME TAX

The tax on the loss before income tax differs from the theoretical amount that would arise using the statutory income tax rate of 30% (2014: 25%) as follows:

	Group	Group	Company	Company
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
	TZS '000	TZS '000	TZS '000	TZS '000
(a) Income tax expense				
Current income tax	10,506	237,237	-	-
Under provision of current tax in prior years	-	3,821	-	-
Deferred income tax (credit)/charge	(44,108)	6,293	-	-
Alternative Minimum Tax	331,414	411,072	331,414	411,072
	297,812	658,423	331,414	411,072
(b) Tax rate reconciliation				
Loss before income tax	(83,600,086)	(11,399,833)	(82,804,572)	(11,999,130)
Tax at 30% (2014: 25%)	(25,080,026)	(2,849,958)	(24,841,372)	(2,999,783)
Tax effect of non-deductible expenditure	2,787,015	2,422,155	2,642,630	2,328,450
Tax effect of impairment charged through OCI	(2,179,668)	-	(2,179,668)	-
Deferred tax movement not recognised	24,675,188	671,333	24,614,521	671,333
Effect of tax rate change on deferred income tax	(236,111)	-	(236,111)	-
Under provision of current tax in prior years	-	3,821	-	-
Alternative Minimum Tax	331,414	411,072	331,414	411,072
Income tax expense	297,812	658,423	331,414	411,072
(c) Income tax payable				
At start of the year	1,547,929	1,474,691	1,312,170	1,201,098
Paid during the year	(307,963)	(578,892)	-	(300,000)
Charge for the year	10,506	237,237	-	-
Under provision of current tax in prior years	-	3,821	-	-
Alternative Minimum Tax	331,414	411,072	331,414	411,072
At end of the year	1,581,886	1,547,929	1,643,584	1,312,170
(d) Deferred income tax				
At start of the year	24,190	17,897	-	-
(Credit)/charge to income statement	(44,108)	6,293	-	-
(Credit)/charge to OCI	-	-	-	-
At end of the year	(19,918)	24,190	-	-

Section 4(1) (a) of the income tax Act 2004 as amended requires corporations with perpetual unrelieved tax losses to pay tax at the rate of 0.3% of the turnover for that year of income. The Company has unrelieved tax losses and hence, liable to alternate minimum tax charge.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

21 INCOME TAX (CONTINUED)

(d) Deferred income tax

The make up and the movement of deferred income tax is attributable to the following:

Group	At 1 Apr 14 (As previously stated) TZS '000	Prior Year P&L Adjustments TZS '000	Prior Year OCI Adjustments TZS '000	At 1 Apr 14 (As restated) TZS '000	Charge/(credit) to income statement TZS '000	Charge/(credit) to OCI TZS '000	At 31 Mar 15 TZS '000
Liabilities							
Accelerated capital deductions	31,143,087	7,083,805	-	38,226,892	(5,372,627)	-	32,854,265
Revaluations	2,421,854	-	172,989	2,594,843	-	(2,594,843)	-
	33,564,941	7,083,805	172,989	40,821,735	(5,372,627)	(2,594,843)	32,854,265
Assets							
Impairment provisions	(2,424,667)	-	-	(2,424,667)	(6,224,015)	-	(8,648,682)
Tax losses	(37,440,229)	(5,560,690)	-	(43,000,919)	(6,473,376)	-	(49,474,295)
Cashflow hedge reserve	(6,159,876)	6,159,876	-	-	-	-	-
Leave accrual	(117,549)	-	-	(117,549)	(256,664)	-	(374,213)
Unrealised foreign exchange losses	-	-	-	-	(6,264,792)	-	(6,264,792)
Inventory provisions	-	-	-	-	(67,155)	-	(67,155)
	(46,142,321)	599,186	-	(45,543,135)	(19,286,002)	-	(64,829,137)
Net deferred tax (asset)/liability	(12,577,380)	7,682,991	172,989	(4,721,400)	(24,658,629)	(2,594,843)	(31,974,872)
Deferred tax not recognised	12,601,570	(7,682,991)	(172,989)	4,745,590	24,614,521	2,594,843	31,954,954
Net deferred tax (asset)/liability recognised	24,190	-	-	24,190	(44,108)	-	(19,918)

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

21 INCOME TAX (CONTINUED)

(d) Deferred income tax

Group	At 1 Apr 13 (As previously stated)	Prior Year P&L Adjustments	Prior Year OCI Adjustments	At 1 Apr 13 (As restated)	Charge/(credit) to income statement	Charge/(credit) to OCI	At 31 Mar 14
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Liabilities							
Accelerated capital deductions	35,834,740	-	-	35,834,740	2,932,152	-	38,226,892
Revaluations	2,421,854	-	-	2,421,854	-	172,989	2,594,843
	38,256,594	-	-	38,256,594	2,932,152	172,989	40,821,735
Assets							
Impairment provisions	(2,462,890)	-	-	(2,462,890)	38,223	-	(2,424,667)
Tax losses	(33,739,982)	(6,159,876)	-	(39,899,858)	(3,101,061)	-	(43,000,919)
Cashflow hedge reserve	(6,159,876)	6,159,876	-	-	-	-	-
Leave accrual	(123,195)	-	-	(123,195)	5,646	-	(117,549)
Unrealised foreign exchange losses	-	-	-	-	-	-	-
Inventory provisions	-	-	-	-	-	-	-
	(42,485,943)	-	-	(42,485,943)	(3,057,192)	-	(45,543,135)
Net deferred tax (asset)/liability	(4,229,349)	-	-	(4,229,349)	(665,040)	172,989	(4,721,400)
Deferred tax not recognised	4,247,246	-	-	4,247,246	671,333	(172,989)	4,745,590
Net deferred tax (asset)/liability recognised	17,897	-	-	17,897	6,293	-	24,190

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

21 INCOME TAX (CONTINUED)

(d) Deferred income tax (continued)

Company	At 1 Apr 14 (As previously stated)	Prior Year P&L Adjustments	Prior Year OCI Adjustments	At 1 Apr 14 (As restated)	Charge/(credit) to income statement	Charge/(credit) to OCI	At 31 Mar 15
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Liabilities							
Accelerated capital deductions	31,118,897	7,083,805	-	38,202,702	(5,328,519)	-	32,874,183
Revaluations	2,421,854	-	172,989	2,594,843	-	(2,594,843)	-
	33,540,751	7,083,805	172,989	40,797,545	(5,328,519)	(2,594,843)	32,874,183
Assets							
Impairment provisions	(2,424,667)	-	-	(2,424,667)	(6,224,015)	-	(8,648,682)
Tax losses	(37,440,229)	(5,560,690)	-	(43,000,919)	(6,473,376)	-	(49,474,295)
Cashflow hedge reserve	(6,159,876)	6,159,876	-	-	-	-	-
Leave accrual	(117,549)	-	-	(117,549)	(256,664)	-	(374,213)
Unrealised foreign exchange losses	-	-	-	-	(6,264,792)	-	(6,264,792)
Inventory provisions	-	-	-	-	(67,155)	-	(67,155)
	(46,142,321)	599,186	-	(45,543,135)	(19,286,002)	-	(64,829,137)
Net deferred tax (asset)/liability	(12,601,570)	7,682,991	172,989	(4,745,590)	(24,614,521)	(2,594,843)	(31,954,954)
Deferred tax not recognised	12,601,570	(7,682,991)	(172,989)	4,745,590	24,614,521	2,594,843	31,954,954
Net deferred tax (asset)/liability recognised	-	-	-	-	-	-	-

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

21 INCOME TAX (CONTINUED)

(d) Deferred income tax (continued)

Company	At 1 Apr 13 (As previously stated)	Prior Year P&L Adjustments	Prior Year OCI Adjustments	At 1 Apr 13 (As restated)	Charge/(credit) to income statement	Charge/(credit) to OCI	At 31 Mar 14
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Liabilities							
Accelerated capital deductions	35,816,843	-	-	35,816,843	2,385,859	-	38,202,702
Revaluations	2,421,854	-	-	2,594,843	-	172,989	2,594,843
	38,238,697	-	-	38,238,697	2,385,859	172,989	40,797,545
Assets							
Impairment provisions	(2,462,890)	-	-	(2,462,890)	38,223	-	(2,424,667)
Tax losses	(33,739,982)	(6,159,876)	-	(39,899,858)	(3,101,061)	-	(43,000,919)
Cashflow hedge reserve	(6,159,876)	6,159,876	-	-	-	-	-
Leave accrual	(123,195)	-	-	(123,195)	5,646	-	(117,549)
Unrealised foreign exchange losses	-	-	-	-	-	-	-
Inventory provisions	-	-	-	-	-	-	-
	(42,485,943)	-	-	(42,485,943)	(3,057,192)	-	(45,543,135)
Net deferred tax (asset)/liability	(4,247,246)	-	-	(4,247,246)	(671,333)	-	(4,745,590)
Deferred tax not recognised	4,247,246	-	-	4,247,246	671,333	-	4,745,590
Net deferred tax (asset)/liability recognised	-	-	-	-	-	-	-

Deferred tax asset has not been recognised as there is uncertainty over when the Group and the Company will have adequate future profits to fully utilise the tax losses. The tax losses are carried forward indefinitely as permitted by Tanzanian Income Tax Act,2004.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

21 INCOME TAX (CONTINUED)

(e) Final tax assessments

The normal procedure for agreeing final income tax liability in Tanzania involves filing of final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the submissions and issuing their notice of final income tax assessments. The final income tax assessment determined by TRA after their review and possible site visit may differ from the final income tax returns filed. Procedures are in place for objecting and appealing against the TRA assessments.

The Company has duly submitted its final tax returns for all previous years including 2014, with the final assessments for years prior to 2008 settled with the TRA. The Company has also received final assessment for all taxes for years 2010 to March 2014. The Company has agreed with th TRA on settlement of the assessed tax liability on instalment basis. The Company's final tax return for the financial year ended 31 March 2015 is not yet due until 30 September 2015.

22 EQUITY

	Group <u>31-Mar-15</u> TZS '000	Group <u>31-Mar-14</u> TZS '000	Company <u>31-Mar-15</u> TZS '000	Company <u>31-Mar-14</u> TZS '000
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(a) Share capital

Authorised:

242,000,000 Ordinary Shares of TZS 20/= each	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>
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Issued and fully paid up:

160,469,800 Ordinary Shares of TZS 20/= each	<u>3,209,396</u>	<u>3,209,396</u>	<u>3,209,396</u>	<u>3,209,396</u>
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The shareholders of the Company are as indicated in the Director's report.

	Group <u>31-Mar-15</u> TZS '000	Group <u>31-Mar-14</u> TZS '000	Company <u>31-Mar-15</u> TZS '000	Company <u>31-Mar-14</u> TZS '000
--	--	--	--	--

(b) Share premium	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>
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(c) Revaluation reserve

The revaluation reserve is used to record increases in the fair value of items of property and equipment and decreases to the extent that such decrease relates to a reversal of an increase on the same class of assets previously recognised in equity. This reserve is not available for distribution to shareholders.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

23 BORROWINGS - GROUP AND COMPANY

	Average Interest rate	Maturity	<u>Group</u> <u>31-Mar-15</u> TZS '000	<u>Group</u> <u>31-Mar-14</u> <u>(Restated)</u> TZS '000	<u>Group</u> <u>31-Mar-13</u> <u>(Restated)</u> TZS '000	<u>Company</u> <u>31-Mar-15</u> TZS '000	<u>Company</u> <u>31-Mar-14</u> <u>(Restated)</u> TZS '000	<u>Company</u> <u>31-Mar-13</u> <u>(Restated)</u> TZS '000
<u>Secured bank term loans</u>								
Stanbic Bank Tanzania Ltd – US\$	8.88%	30.10.2013	3,394,245	2,352,742	2,343,645	3,394,245	2,352,742	2,343,645
Citibank International Plc and Finnfund Industrial Co-operation – US\$	4.28%	2008–2022	172,400,745	155,598,463	150,161,510	172,400,745	155,598,463	150,161,510
Export Development Canada(EDC) – US\$	4.64%	2013–2022	51,152,746	44,169,293	42,721,941	51,152,746	44,169,293	42,721,941
KCB (T) Limited – US\$ (Hangar Loan)	9.00%	30.08.2015	1,919,648	2,876,148	4,559,193	1,919,648	2,876,148	4,559,193
Stanbic Bank Tanzania Limited – US\$ (Caravan)	5.50%	31.12.2013	2,267,559	2,319,126	2,912,770	2,267,559	2,319,126	2,912,770
Stanbic Bank Tanzania Limited – US\$	5.50%	31.12.2013	-	-	1,186,934	-	-	1,186,934
			231,134,943	207,315,772	203,885,993	231,134,943	207,315,772	203,885,993
<u>Unsecured term loan</u>								
Hassan & Sons – US\$	38.00%	31.01.2015	318,025	1,030,087	-	318,025	1,030,087	-
			231,452,968	208,345,859	203,885,993	231,452,968	208,345,859	203,885,993
<u>Secured bank overdrafts</u>								
Kenya Commercial Bank – US\$	9.00%	on demand	1,944,657	1,776,980	3,100,342	1,944,657	1,776,980	3,100,342
Kenya Commercial Bank – TZS	16.00%	on demand	1,640,118	1,756,412	1,374,122	1,640,118	1,756,412	1,374,122
Stanbic Bank Tanzania Limited – US\$	9.50%	on demand	3,243,508	5,310,263	7,730,594	3,243,508	5,310,263	7,730,594
			6,828,283	8,843,655	12,205,058	6,828,283	8,843,655	12,205,058
Grand total			238,281,251	217,189,514	216,091,051	238,281,251	217,189,514	216,091,051
Non-current			145,418,797	147,393,584	167,631,465	145,418,797	147,393,584	167,631,465
Current			92,862,454	69,795,930	48,459,586	92,862,454	69,795,930	48,459,586
Total			238,281,251	217,189,514	216,091,051	238,281,251	217,189,514	216,091,051

There were no undrawn loan commitments as at year end (2014: Nil).

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

The movement in secured and unsecured term loans is as follows:

	<u>Group</u> <u>31-Mar-15</u> TZS '000	<u>Group</u> <u>31-Mar-14</u> TZS '000	<u>Company</u> <u>31-Mar-15</u> TZS '000	<u>Company</u> <u>31-Mar-14</u> TZS '000
At the start of the year	208,345,859	203,885,993	208,345,859	203,885,993
Interest charge	8,062,677	8,317,596	8,062,677	8,317,596
Interest converted to principle	-	423,150	-	423,150
<u>Repaid during the year:</u>				
- Interest	(1,095,948)	(4,548,892)	(1,095,948)	(4,548,892)
- Principal	(4,489,380)	(5,340,764)	(4,489,380)	(5,340,764)
Translation loss	20,629,760	5,608,776	20,629,760	5,608,776
At the end of the year	<u>231,452,968</u>	<u>208,345,859</u>	<u>231,452,968</u>	<u>208,345,859</u>

The Group and Company have not met their debt repayment obligations and have substantial arrears. On successful conclusion of the sale and leaseback transaction discussed in Note 2 and Note 37, a significant portion of the proceeds will be used to partially settle debt obligations. Additionally, management intend to negotiate a revised debt repayment plan.

KCB (T) Limited: Term loan - US\$ 5,794,973

The loan was granted for the purpose of construction of hanger complex at Julius Nyerere International Airport. The facility is secured by the hanger complex.

KCB (T) Limited: Overdraft - US\$ 1,000,000 and TZS 1,6000,000,000

The overdrafts are secured by Chattels Mortgage over:

- Debenture over floating assets
- Assignment over specific monthly receivables

Stanbic Bank Limited: Term loan - US\$ 3,180,076 and Overdraft - US\$ 4,000,000

The loan was granted for the purpose of purchasing one ATR 72 aircraft.

The facilities are secured by:

- Single debenture dated 2 April 2003 creating a first ranking fixed charge over the aircraft ATR 42-320 Registration No. 5H-PAG for US\$ 4,934,000.
- Debenture over floating assets plus aircraft components, excluding assets specifically encumbered to other lenders, registered for US\$ 1,424,750.
- Comprehensive insurance policy for the full replacement value over all assets which the bank holds as security with an insurance company approved by the bank where in the bank is noted as First Loss Payee.
- One aircraft with registration no 5H-PAG is mortgaged against banking facilities secured from Stanbic Tanzania Limited respectively.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

Citibank International Plc and Finnfund Industrial Co-operation loan in the aggregate amount of US\$ 127,000,000

- The purpose of the loan is to finance the acquisition of 5 ATR 72-500 and 2 ATR42-500.
- The loan is secured by the aircrafts.

- Seven aircraft in the Company's fleet are registered in the name of Swala Leasing and Finance Limited. Swala Leasing and Finance limited is a fully owned subsidiary of Maples Fiduciary Services (Ireland) Ltd which holds the one share issued by Swala Leasing and Finance Limited in trust for the benefit of a qualified charity in accordance with the terms of the Declaration of Trust. The aircraft are encumbered by charges in favour of Citibank International Plc, and the legal title for the aircraft is to be transferred to Precision Air Services Plc once the Citibank loans are fully repaid.

Export Development Canada(EDC) US\$

- The purpose of the loan is to finance the acquisition of 2 ATR 72-600.
- The loan is secured by the aircraft.

Hassan & Sons loan

- The purpose of the loan was to settle outstanding liabilities on airport departure tax and service charges that was payable to Zanzibar Revenue Authority by October 2012.
- The loan is unsecured.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

24 TRADE AND OTHER PAYABLES

	Group <u>31-Mar-15</u>	Group <u>31-Mar-14</u> (Restated)	Group <u>31-Mar-13</u> (Restated)	Company <u>31-Mar-15</u>	Company <u>31-Mar-14</u> (Restated)	Company <u>31-Mar-13</u> (Restated)
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Trade payables - third parties	22,148,285	27,837,425	32,729,891	22,148,285	27,443,067	32,597,791
Due to related parties (Note 25)	4,847,947	3,136,245	10,085,218	4,847,947	3,136,245	10,085,218
Advances from customers	-	56,698	392,419	-	56,698	392,419
Commission advance	-	268,703	-	-	-	-
Lease accruals	2,899,800	3,873,132	-	2,899,800	3,873,132	-
Statutory liabilities	22,691,978	25,278,662	19,239,584	22,691,978	25,278,662	19,239,584
Other accruals and creditors	6,940,250	1,916,841	783,133	5,507,996	1,321,059	299,863
	<u>59,528,260</u>	<u>62,367,706</u>	<u>63,230,245</u>	<u>58,096,006</u>	<u>61,108,863</u>	<u>62,614,875</u>

Trade and other payables comprise of the following amounts denominated in foreign currencies:

		Group <u>31-Mar-15</u> TZS '000	Group <u>31-Mar-14</u> TZS '000	Company <u>31-Mar-15</u> TZS '000	Company <u>31-Mar-14</u> TZS '000
United States Dollars	USD	19,876,641	21,044,811	19,265,943	20,864,750
Euro	EURO	266,198	289,766	266,198	289,766
Great Britain Pound	GBP	243,934	368,377	243,934	368,377
Kenya Shillings	KES	4,478	155,865	4,478	155,865
		<u>20,391,251</u>	<u>21,858,819</u>	<u>19,780,553</u>	<u>21,678,758</u>

The carrying values of trade and other payables approximate their fair values due to the short term nature of trade and other payables.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

25 RELATED PARTY DISCLOSURES

Michael N Shirima and Kenya Airways Limited respectively own 42.91% and 41.23% of the ordinary shares of Precision Air Services Plc. Together, they control the Company.

(i) Key management remuneration	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000
Salaries and other short term benefits	1,983,552	1609,707	1,983,552	1609,707
Pension	198,355	160,970	198,355	160,970
	2,181,907	1,770,677	2,181,907	1,770,677

(ii) Directors' remuneration

Salaries and other short term benefits	715,823	678,263	715,823	678,263
Pension	63,843	60,342	63,843	60,342
	779,666	738,605	779,666	738,605

(iii) Purchase transactions

	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000
Kenya Airways Limited	10,960,182	20,570,910	10,960,182	20,570,910
Ngaleku Children's Home Contribution	4,187	4,877	4,187	4,877

(iv) Sales transactions

Kenya Airways Limited	8,465,160	1,295,492	8,465,160	1,295,492
Precise Systems Limited	668	-	668	-

Kenya Airways Limited owns 41.23% of the ordinary shares of Precision Air Services Plc. As is common throughout the airline industry, Precision Air Services Plc and Kenya Airways Limited from time to time carry each other's passengers travelling on the other airline's tickets. The settlement between the two carriers is actioned through IATA Clearing House (ICH) of which both airlines are members.

The transactions carried out with Kenya Airways Limited relate to inter-line services and advances.

99% of the shareholding of Precision Handling Limited and Precise Systems Limited is held by the Company.

Ngaleku Children's Home Contribution is a related part by virtue of the Board Chairman being a Trustee.

PRECISION AIR SERVICES PLC

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NOTES (CONTINUED)

25 RELATED PARTY DISCLOSURES (CONTINUED)

Balances outstanding on account of transactions with related parties are as follows:

(v) Amounts due from related parties	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000
Precision Handling Limited	-	-	2,808,032	2,808,032
Precise Systems Limited	-	-	270,263	245,822
Kenya Airways Limited	143,369	-	143,369	-
	<u>143,369</u>	<u>-</u>	<u>3,221,664</u>	<u>3,053,854</u>

Precise Systems Limited obtained a loan of USD 150,000 from Precision Air Services Plc for development of PreciseSky Program, a booking and reservation software for local and non-scheduled airline operators. The loan bears interest at 10% per annum. Precise Systems Limited is a 99% subsidiary of the Company.

(vi) Amounts due to related parties	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000
Ngaleku Children's Home Contribution	6,566	2,378	6,566	2,378
Kenya Airways Limited	4,841,381	3,133,867	4,841,381	3,133,867
	<u>4,847,947</u>	<u>3,136,245</u>	<u>4,847,947</u>	<u>3,136,245</u>

Outstanding balances at the year end are unsecured and settlement occurs in cash. There has been no guarantee provided or received for any related party receivable or payables. For the year ended 31 March 2015 the Group and Company have not recorded any impairment of related party receivables (31 March 2014: Nil).

(vii) Shareholder commitments

As explained in Note 2, shareholders have committed to providing guarantees as part of the sale and leaseback transaction.

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

26 OPERATING LEASE COMMITMENTS

Aircraft lease	Group	Group	Company	Company
	<u>31-Mar-15</u>	<u>31-Mar-14</u>	<u>31-Mar-15</u>	<u>31-Mar-14</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Within one year	-	4,007,784	-	4,007,784
One to five years	-	8,418,264	-	8,418,264
More than five years	-	-	-	-
	-	12,426,048	-	12,426,048

The aircraft fleet lease rentals are fixed and payable monthly throughout the lease period. The lease agreements do not provide for purchase options on expiry of the lease term and no restrictions have been imposed by the lessor on the Company in respect of dividend payouts, borrowings or further leasing.

Office lease rentals	Group	Group	Company	Company
	<u>31-Mar-15</u>	<u>31-Mar-14</u>	<u>31-Mar-15</u>	<u>31-Mar-14</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Within one year	220,850	236,298	220,850	236,298
One to five years	883,399	945,191	883,399	945,191
More than five years	178,547	162,752	178,547	162,752
	1,282,796	1,344,241	1,282,796	1,344,241

27 OTHER COMMITMENTS

Capital commitment

The Group had no capital commitments as at year end (2014: Nil).

28 SEGMENT INFORMATION

The chief operating decision-maker is the Board of Directors. Directors have determined the operating segments based on the reports reviewed by the senior management team for the purposes of allocating resources, assessing performance and proposing strategic direction.

The majority of revenue is derived from passenger revenue (as disclosed in Note 6) and the Board of Directors relies primarily on passenger revenue to assess performance. Management monitors the operating results of its business as indicated on the directors' report for the purpose of making decisions about resource allocation and performance assessment.

Other than the segment revenue information disclosed below, no other segment information regarding performance as related to the statement of profit or loss and other comprehensive income is reviewed by the chief operating decision maker and the senior management team.

PRECISION AIR SERVICES PLC

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NOTES (CONTINUED)

28 SEGMENT INFORMATION (CONTINUED)

Analysis of revenue according to business segments

Year ended 31 March 2015	Group				Company			
	<u>Domestic</u> TZS '000	<u>Foreign</u> TZS '000	<u>Unallocated</u> TZS '000	<u>Total</u> TZS '000	<u>Domestic</u> TZS '000	<u>Foreign</u> TZS '000	<u>Unallocated</u> TZS '000	<u>Total</u> TZS '000
Passengers	44,741,273	27,389,566	2,830,714	74,961,553	44,741,273	27,389,566	2,830,714	74,961,553
Cargo	130,360	375,147	-	505,507	130,360	375,147	-	505,507
Mail services	51,436	-	-	51,436	51,436	-	-	51,436
Excess baggage	72,575	189,522	-	262,097	72,575	189,522	-	262,097
Fuel surcharge	-	-	22,830,462	22,830,462	-	-	22,830,462	22,830,462
Others	-	-	6,766,611	6,766,611	-	-	1,595,056	1,595,056
	44,995,644	27,954,235	32,427,787	105,377,666	44,995,644	27,954,235	27,256,232	100,206,111
Year ended 31 March 2014								
Passengers	63,192,847	36,571,828	4,719,500	104,484,175	63,192,847	36,571,828	4,719,500	104,484,175
Cargo	311,986	476,434	-	788,420	311,986	476,434	-	788,420
Mail services	48,966	-	-	48,966	48,966	-	-	48,966
Excess baggage	229,569	388,760	-	618,329	229,569	388,760	-	618,329
Fuel surcharge	-	-	29,784,743	29,784,743	-	-	29,784,743	29,784,743
Others	-	-	5,537,369	5,537,369	-	-	-	-
	63,783,368	37,437,022	40,041,612	141,262,002	63,783,368	37,437,022	34,504,243	135,724,633

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

28 SEGMENT INFORMATION (CONTINUED)

The major revenue-earning assets of the Group comprise the aircraft fleet, all of which are registered in Tanzania. Since the Group's aircraft fleet are employed flexibly across its 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.

29 CONTINGENCIES

Legal claims

As at 31 March 2015, the Group was a defendant in the following legal actions. No provision has been made for these claims (unless stated below) based on professional legal advice.

(i) Airplanes Finance Limited vs. PW, Queen's Bench Division, United Kingdom

The plaintiff is claiming payment of approximately USD 4.4 million being principal sum, interest and costs followed by early termination of the lease agreement in respect of one Boeing 737-300 with manufacturer's serial number 24770. The Company is represented by Clyde & Co, a law firm based in the UK.

(ii) During the year the Group received a court order to pay TZS 7.25 billion to Graf 1(Aviation) WSA Limited in connection to the illegal termination of the aircraft lease contract by the Company. The Group has disclaimed a substantial portion of the total claim and has filed an objection with the High Court of Tanzania. A provision of TZS 2.89 billion has been made in the financial statements for the uncontested amount.

(iii) Alphonse Makau Kioko vs. Precision Air Services Plc

Labour dispute where the complainant (Kioko) has filed an application for condonation to file his labour complaint out of time. Kioko claims USD 33,000 as terminal dues (end of contract), TZS 103,206,120 as unremitted NSSF contributions, payment of USD 15,600 as subsistence allowance from 05/03/2013 to 07/08/2013. The amount is subject to increase depending on when the date payments are effected.

Other matters – interest and penalties on borrowings and statutory liabilities

The Company has not recorded the contractual default interest relating to borrowings. The lenders have not yet charged the interest but have indicated that they reserve the right to charge.

The Company has not recorded the penalties and interest relating to late remittance and non remitted statutory liabilities. The Company intends to apply for a waiver to the revenue authority.

30 EMPLOYEES

Number of employees for the Group at the end of the year was 536 (2014: 608).

PRECISION AIR SERVICES PLC

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NOTES (CONTINUED)

31 EARNINGS PER SHARE (EPS) - BASIC AND DILUTED

Basic earnings per share is calculated on the loss after tax attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated on the loss after tax attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding after adjustment of dilutive potential ordinary shares. The basic and diluted earnings per share are the same as there are no dilutive instruments.

	Group		Company	
	2015	2014	2015	2014
	<u>(91,163,459,000)</u>	<u>(12,058,256,000)</u>	<u>(90,401,547,000)</u>	<u>(12,410,202,000)</u>
EPS =	160,469,800	160,469,800	160,469,800	160,469,800
EPS	<u>(568.10)</u>	<u>(75.14)</u>	<u>(563.36)</u>	<u>(77.34)</u>

32 FAIR VALUE DISCLOSURES

Set out below is the carrying amount and fair value of the Group's financial financial instruments.

Group	Fair values		Carrying amount	
	2015 TZS'000	2014 TZS'000	2015 TZS'000	2014 TZS'000
<u>Financial assets</u>				
Trade and other receivables	8,819,560	20,322,922	8,819,560	20,322,922
Cash and short-term deposits	1,306,581	7,169,375	1,306,581	7,169,375
<u>Financial liabilities</u>				
Borrowings	238,281,251	217,189,514	238,281,251	217,189,514
Trade and other payables	36,836,282	37,089,044	36,836,282	37,089,044
<u>Company</u>				
<u>Financial assets</u>				
Trade and other receivables	10,262,614	22,356,194	10,262,614	22,356,194
Cash and short-term deposits	1,264,584	7,080,885	1,264,584	7,080,885
<u>Financial liabilities</u>				
Borrowings	238,281,251	217,189,514	238,281,251	217,189,514
Trade and other payables	35,404,028	35,830,201	35,404,028	35,830,201
<u>Non-financial assets</u>				
<u>(Group and Company)</u>				
Aircraft and aircraft components	109,862,792	210,401,138	109,862,792	210,401,138
Non current assets held for sale	46,488,681	-	46,488,681	-

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

NOTES (CONTINUED)

32 FAIR VALUE DISCLOSURES (CONTINUED)

Receivables, fixed deposits with financial institutions; cash and bank balances and payables are held at amortised cost and their carrying amounts approximate their fair values due to short term maturities.

The fair value of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at year end. The Group did not have at the reporting date any financial assets and liabilities measured at fair value. The fair value of interest bearing borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.

33 CAPITAL MANAGEMENT

The Group defines capital as the total equity and net debt of the Group. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the years end 31 March 2015 and 31 March 2014.

The Group includes within net debt, borrowings, trade and other payables, less cash and cash equivalents. All components of equity are included in the denominator of the calculation. Trade and other payables are included within net debt due to the liquidity challenges the Group is facing. Once the situation normalises, these will be excluded.

The Group does not have a target debt ratio.

	Group 2015 TZS'000	Group 2014 TZS'000	Company 2015 TZS'000	Company 2014 TZS'000
Borrowings	238,281,251	217,189,514	238,281,251	217,189,514
Trade and other payables	59,528,260	62,367,706	58,096,006	61,108,863
Cash and bank balances	<u>(1,306,581)</u>	<u>(7,169,375)</u>	<u>(1,264,584)</u>	<u>(7,080,885)</u>
Net debt	296,502,930	272,387,845	295,112,673	271,217,492
Equity	<u>(114,288,120)</u>	<u>(23,124,661)</u>	<u>(113,162,335)</u>	<u>(22,760,788)</u>
Capital and net debt	<u>182,214,810</u>	<u>249,263,184</u>	<u>181,950,338</u>	<u>248,456,704</u>
Net debt ratio	<u>163%</u>	<u>109%</u>	<u>162%</u>	<u>109%</u>

Externally imposed capital requirements

Other than the securities pledged for borrowings (Note 23), requirements imposed by lenders include:

- Debt coverage ratio of 1.1 (which the Group has not complied with); and
- Obtaining consent from the Bank before changing the Company's capital structure or sale shares.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
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NOTES (CONTINUED)

34 CASH GENERATED FROM OPERATIONS

	Group 31-Mar-15 TZS '000	Group 31-Mar-14 TZS '000 (Restated)	Company 31-Mar-15 TZS '000	Company 31-Mar-14 TZS '000 (Restated)
Loss before tax	(83,600,086)	(11,399,833)	(82,804,572)	(11,999,130)
Adjustments for:				
Depreciation of property and equipment	20,067,430	20,230,374	19,496,648	19,698,903
(Gain)/Loss on disposal of property and equipment	(59,565)	3,500	(59,565)	3,500
Amortisation of intangible assets	91,058	80,854	65,642	80,854
Interest on borrowings	8,811,510	10,455,200	8,800,704	10,449,800
Exchange loss/(gain) on borrowings	20,629,760	5,608,776	20,629,760	5,608,776
Impairment of property and equipment	11,629,514	-	11,629,514	-
Fair value loss on non current assets held for sale	22,393,486	-	22,393,486	-
Working capital adjustments:				
(Decrease)/increase in inventories	(2,071,181)	1,817,834	(2,071,181)	1,817,834
(Decrease)/increase in trade and other receivables	11,502,744	(2,503,840)	12,092,962	(2,738,968)
Decrease/(increase) in prepayments	1,037,137	(359,324)	(22,394)	700,207
Increase/(decrease) in deferred revenue as previously stated	4,177,056	-	4,177,056	-
-Effect of prior year adjustment	-	(2,249,968)	-	(2,249,968)
As restated	4,177,056	(2,249,968)	4,177,056	(2,249,968)
Increase/(decrease) in trade and other payables as previously stated	(2,839,446)	251,888	(3,012,857)	(391,585)
-Effect of prior year adjustment	-	(1,114,427)	-	(1,114,427)
As restated	(2,839,446)	(862,539)	(3,012,857)	(1,506,012)
Cash generated from operations as previously stated	11,769,417	24,185,429	11,315,203	23,230,191
-Effect of prior year adjustment	-	(3,364,395)	-	(3,364,395)
As restated	11,769,417	20,821,034	11,315,203	19,865,796

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

NOTES (CONTINUED)

35 PRIOR YEAR ADJUSTMENTS

(a) Accrued interest on borrowings and sales in advance of carriage

Accrued interest on borrowings was disclosed as part of trade and other payables in prior years instead of being disclosed as part of borrowings. Sales in advance of carriage was also disclosed in trade and other payables in prior years.

The financial statements for prior years are restated to correct the misstatement in the carrying value of borrowings and disclosure of accrued interest on borrowings, and disclose sales in advance of carriage of the face of the statement of financial position. The effects of the correction on the financial statements for prior years is as follows:

Statement of profit or loss and other comprehensive income:

The prior year adjustments have no impact on the statement of profit or loss and other comprehensive income.

Statement of financial position:

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
Trade and other payables:				
As previously stated	72,241,078	71,989,190	70,982,235	71,373,820
Prior year adjustment:				
- Deferred revenue	(3,561,333)	(5,811,301)	(3,561,333)	(5,811,301)
- Accrued interest	(6,312,039)	(2,947,644)	(6,312,039)	(2,947,644)
As restated	<u>62,367,706</u>	<u>63,230,245</u>	<u>61,108,863</u>	<u>62,614,875</u>
Borrowings				
As previously stated	210,877,475	213,143,407	210,877,475	213,143,407
Prior year adjustment	6,312,039	2,947,644	6,312,039	2,947,644
As restated	<u>217,189,514</u>	<u>216,091,051</u>	<u>217,189,514</u>	<u>216,091,051</u>
Sales in advance of carriage:				
As previously stated	-	-	-	-
Prior year adjustment	3,561,333	5,811,301	3,561,333	5,811,301
As restated	<u>3,561,333</u>	<u>5,811,301</u>	<u>3,561,333</u>	<u>5,811,301</u>

PRECISION AIR SERVICES PLC

**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

35 PRIOR YEAR ADJUSTMENTS (CONTINUED)

(a) Accrued interest on borrowings and sales in advance of carriage (continued)

Statement of cash flows:

The effects of the prior year adjustments are shown on Note 34 and on the face of the statement of cash flows. The effects represent an adjustment to the change in working capital, to the extent of the accrued interest on borrowings and sales in advance of carriage previously included in trade and other payables.

(b) Cash flow hedge

Previously, the Group held one principal risk management activity that was designated as a cash flow hedge. In the absence of appropriate hedge documentation and the ineffectiveness of the hedge, hedge accounting has been discontinued retrospectively.

The financial statements of prior periods are restated to correct the wrong recognition of cash flow hedge reserve. The effects of the retrospective discontinuation of hedge accounting on the financial statements for prior years is as follows:

Statement of profit or loss and other comprehensive income:

Profit/(Loss) for the year	Group 31-Mar-13 TZS '000	Company 31-Mar-13 TZS '000
As previously stated	(30,148,385)	(30,427,459)
Prior year adjustment	(17,752,445)	(17,752,445)
As restated	(47,900,830)	(48,179,904)

- There was no current income tax charge/credit effect as a result of the accumulated tax losses brought forward.
- There was no deferred income tax charge/credit effect. Deferred income tax asset is not recognised due to the uncertainty over the availability of sufficient taxable profits in the foreseeable future.
- The prior year adjustment had an effect of increasing the accumulated tax losses brought forward.

Statement of cash flows:

The prior year adjustment has no effect on the statement of cash flows presented.

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS
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NOTES (CONTINUED)

35 PRIOR YEAR ADJUSTMENTS (CONTINUED)

(b) Cash flow hedge (continued)

Statement of financial position:

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
Cash flow hedge reserve				
As previously stated	(17,752,445)	(17,752,445)	(17,752,445)	(17,752,445)
Prior year adjustment	17,752,445	17,752,445	17,752,445	17,752,445
As restated	-	-	-	-
Accumulated losses				
As previously stated	(26,338,160)	(14,279,904)	(25,974,287)	(13,564,085)
Prior year adjustment	(17,752,445)	(17,752,445)	(17,752,445)	(17,752,445)
As restated	(44,090,605)	(32,032,349)	(43,726,732)	(31,316,530)

PRECISION AIR SERVICES PLC

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NOTES (CONTINUED)

36 NON CURRENT ASSETS HELD FOR SALE (GROUP AND COMPANY)

	<u>31-Mar-15</u> TZS'000	<u>31-Mar-14</u> TZS'000
Cost (Note 13)	92,688,805	-
Accumulated depreciation (Note 13)	<u>(23,806,638)</u>	<u>-</u>
Net book value	68,882,167	-
Fair value loss	<u>(22,393,486)</u>	<u>-</u>
Fair value	<u>46,488,681</u>	<u>-</u>

The carrying value of aircrafts subject to outright sale (naked sale) have been transferred from property and equipment and presented as held for sale as the sale and leaseback transaction explained on Note 2 is considered to be highly probable (Note 5 (iv)). The fair value of the assets presented as held for sale is based on the purchase price included in the draft sale and leaseback agreement document.

37 SUBSEQUENT EVENTS

Subsequent to year end, the Group progressed discussions with a third party for the outright sale (naked sale) of 3 aircrafts and sale and leaseback of 6 aircrafts.

As discussed in Note 5 (v), this transaction is considered highly probable. Based on the indicative prices on the draft sale and leaseback agreement document, the Group is expecting to receive USD 96 million from the transaction, subject to aircraft inspection and third party receiving approval from its Board of Directors. The Group intends to immediately use USD 76 million upon conclusion of the transaction to partially settle outstanding borrowings and retain the balance of USD 20 million to finance working capital.