

PRECISION AIR SERVICES PLC
ANNUAL REPORT AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

PRECISION AIR SERVICES PLC

ANNUAL REPORT AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

CONTENTS

	PAGE
Corporate Information	1
Highlights	2
Report of the Directors	3 – 10
Statement of Directors' Responsibilities	11
Declaration of the Head of Finance	12
Independent Auditor's Report	13 – 17
<i>Financial Statements:</i>	
Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated and Separate Statement of Financial Position	19 – 20
Consolidated and Separate Statement of Changes in Equity	21
Consolidated and Separate Statement of Cash Flows	22
Notes to the Consolidated and Separate Financial Statements	23 – 69

PRECISION AIR SERVICES PLC

**CORPORATE INFORMATION
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018**

PRINCIPAL PLACE OF BUSINESS:

DIAMOND PLAZA
MIRAMBO STREET, 1ST FLOOR
P.O. BOX 70770
DAR ES SALAAM

REGISTERED OFFICE:

NEW SAFARI HOTEL
BOMA ROAD
P.O BOX 1636
ARUSHA

BANKERS:

CRDB BANK PLC
P.O. BOX 3150
ARUSHA

STANBIC BANK
P.O. BOX 3062
ARUSHA

KCB BANK TANZANIA
P.O. BOX 804
DAR ES SALAAM

NATIONAL BANK OF COMMERCE LIMITED
P.O BOX 157
ZANZIBAR

STANDARD CHARTERED BANK
P.O. BOX 30003
NAIROBI, KENYA

I&M BANK
P.O BOX 30238
NAIROBI, KENYA

CITI BANK TANZANIA LIMITED
P.O. BOX 71625
DAR ES SALAAM

TWIGA BANCORP
P.O. BOX 10119
DAR ES SALAAM

GROUP SECRETARY:

MIGIRE MIGIRE
P.O. BOX 70770
DAR ES SALAAM

GROUP AUDITOR:

KPMG
CERTIFIED PUBLIC ACCOUNTANTS
2nd FLOOR, THE LUMINARY
HAILE SELASSIE ROAD, MASAKI
P.O. BOX 1160
DAR ES SALAAM, TANZANIA

PRECISION AIR SERVICES PLC

HIGHLIGHTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

<u>GROUP</u>	<u>9-month</u> <u>period to 31</u> <u>December</u> <u>2018</u> <u>TZS '000</u>	<u>12-month period to</u> <u>31 March 2018</u> <u>TZS '000</u>
	<u>Revenue</u>	
Passenger	73,376,470	97,108,380
Interline revenue	316,902	128,610
Freight and mail	653,549	786,110
Cancellation income	426,165	447,882
No show fees and other charges	843,900	1,258,842
Passenger tickets writeback	4,139,160	14,122,130
Fuel surcharge	18,169,487	25,259,321
Total	97,925,633	139,111,275
Direct expenditure	(86,608,161)	(105,495,971)
Gross profit	11,317,472	33,615,304
Gross profit margin %	12%	24%
Operating (loss)/profit	(17,946,416)	972,513
Loss before income tax	(37,080,278)	(21,545,586)
Income tax expense	-	-
Loss for the period/year	(37,080,278)	(21,545,586)
Other comprehensive income	-	-
Total comprehensive loss for the period/ year	(37,080,278)	(21,545,586)
Earnings per share (TZS)	(231.07)	(134.26)
<u>OPERATING STATISTICS</u>		
Passengers	365,892	474,247
Revenue Passenger Kilometre (RPK's) ('000)	162,925	214,841
Available Seats Kilometre (ASK's) ('000)	302,268	392,175
Passenger load factor	54%	55%
Yield per RPK (USc)	21.78	20.00
Employees	396	364
ASK's per employee - '000	800	1,114
Revenue per employee - TZS'000	247,287	390,762
Loss per employee - TZS'000	(93,637)	(60,521)
Block hours	14,376	18,653
Fleet Size at period/year end		
ATR 72 - 500	5	5
ATR 42 - 600	2	2
ATR 42 - 500	2	2
ATR 42 - 320	1	1
Total numbers of aircraft	10	10
<i>Grounded aircrafts (Out of the above total fleet size)</i>		
ATR 42 - 320	1	1
ATR 42 - 600	2	2
Total	3	3

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

1 INTRODUCTION

The Directors present their annual report together with the consolidated and separate audited financial statements for the 9-month period ended 31 December 2018 which disclose the state of affairs of Precision Air Services Plc (the "Company") and its subsidiaries (together the "Group").

The consolidated and separate financial statements for the 9-month period ended 31 December 2018 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 under the Companies Act, 2002 as public companies limited by shares.

3 GROUP'S VISION

"To be the airline of choice and catalyst for change".

4 GROUP'S MISSION

"To provide superior airline services that customer focused reliable and competitive".

5 PRINCIPAL ACTIVITIES

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

The Company flies to thirteen (13) destinations (31 March 2018: thirteen (13) locations) within and outside Tanzania. (Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Kigoma, Tabora, Zanzibar, Nairobi, Musoma, Serengeti, Entebbe and Kahama).

The Company has two (2) subsidiaries, Precision Handling Limited and Precise Systems Limited. Precision Handling Limited provides ground handling services in Dar es Salaam, Kilimanjaro and Mwanza while Precise Systems Limited used to distribute the Galileo Reservation system to airlines and travel agents in Tanzania. All subsidiaries are dormant.

6 PERFORMANCE FOR THE PERIOD

Capacity offered to market

The Available Seats Kilometre (ASK) released to the market amounted to 302 million against a prior year level of 392 million, a decrease of 23%.

Capacity utilised

Total passengers carried in the network during the financial period was 365,892 compared to a prior year level of 474,247 thus a decrease of 23% compared to prior year. The decrease is because of the nine months presentation for the period ended 31 December 2018 compared to twelve months for the year ended 31 March 2018. There were no significant changes in terms of frequencies offered and routes operated for the period ended 31 December 2018 compared to the period ended 31 March 2018.

The Revenue Passenger Kilometre (RPK) achieved from the market was 163 million against prior year level of 215 million; thus, a decrease of 24% compared to prior year.

Yields

Yield per RPK achieved during the 9-month period was 21.78 US Cents (USc) compared to a prior year level of USc 20.00.

Profitability

The Group recorded a loss of TZS 37.1 billion (31 March 2018: loss of TZS 21.5 billion), whereas the Company recorded a loss of TZS 36.9 billion during the 9-month period (31 March 2018: loss of TZS 21.4 billion). Detailed financial results of the Group and Company for the period are set out on page 18.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

7 FUTURE DEVELOPMENTS AND PLANS

The Group will continue focusing on improving profitability and liquidity ensure the airline remain competitive in the market by increasing revenues and maintaining costs at reasonable levels. The key focus areas will be:

- Reviving the fleet that is on AOG (Aircraft on ground);
- Cost management;
- Route rationalization;
- Customer service enhancement;
- Invest in smart technologies;
- Schedule integrity & on time performance;
- Enhancement of our distribution channels;
- Review the entire network and create a mini HUB concept;
- Continue operationalization of the Company's Strategic Thrust with the nine (9) focus areas into tangible action areas (232 in total) for visibility and accountability in implementation with clear timelines- reviewed and measured on a monthly/quarterly basis;
- Stabilization of the operations- continue with engine overhauls and recovery of BER engines to operate a minimum of 5 aircraft in order to enhance operational reliability;
- More selling on the online platform to improve the product distribution and reduce distribution costs;
- Conclude the PW/KQ JV agreement on the key routes i.e. NBO/DAR, NBO/JRO & NBO/ZNZ;
- Finalized interline agreement with ATCL on international and domestic routes and continue the domestic Tanzania and Kenya codeshares for KQ/PW for increased feed/de-feed purposes;
- Continue to pursue new customers on third party maintenance services that is aimed at generation of additional revenues through active sell of the MRO services;
- Pursue additional revenue generation through the set-up of the ATO (Airline Training Organization) and increase the required skills sets in the country;
- Continue to pursue restructuring of the aircraft loan facility and entire balance sheet; and
- Continuous engagement of creditors to agree on payment plans based on paying ability of the Company and in line with projected cash flows.

8 STOCK EXCHANGE INFORMATION

During the period, there was no fluctuation in the Company's share price. At the close of the financial period the Company's share was trading at the Dar es Salaam Stock exchange at TZS 470 per share (31 March 2018: TZS 470 per share).

9 DIVIDENDS

The Directors do not recommend payment of dividend (31 March 2018: Nil).

10 SOLVENCY AND GOING CONCERN EVALUATION

The Group and Company's state of affairs is set out on pages 19 and 20 of the financial statements.

The Group recorded a net loss of TZS 37.1 billion for the 9-month period ended 31 December 2018 (31 March 2018: loss of TZS 21.5 billion) and as at that date, the Group's current liabilities exceeded its current assets by TZS 435.8 billion (31 March 2018: TZS 426.3 billion). The Group was also in a shareholders' deficit position of TZS 307.2 billion as at that date (31 March 2018: TZS 270.1 billion).

Furthermore, the Company recorded a net loss of TZS 36.9 billion for the 9-month period ended 31 December 2018 (31 March 2018: loss of TZS 21.4 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 435.8 billion (31 March 2018: TZS 426.3 billion). The Company was also in a shareholders' deficit position of TZS 307.8 billion as at that date (31 March 2018: TZS 270.9 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. The Company also has delayed remittance of statutory deductions and taxes to relevant authorities.

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organization, and most governments are currently taking restrictive measures to contain its further spread affecting free movement of people and goods. Currently the spread of COVID-19 has resulted in a material uncertainty on the entity's ability to continue as a going concern.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

10 SOLVENCY AND GOING CONCERN EVALUATION (CONTINUED)

These conditions give rise to material uncertainty that may cast 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 3 (c) of the financial statements.

Subject to the comments and the conclusions made in Note 3 (c) 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.

11 RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in Note 30 of the consolidated and separate financial statements.

12 CAPITAL STRUCTURE AND DEBT FINANCING

The capital structure for the 9-months period under review is shown below:

Authorised share capital

242,000,000 ordinary shares of TZS 20 each (31 March 2018: 242,000,000 ordinary shares of TZS 20 each).

Issued called up and fully paid share capital

160,472,720 ordinary shares of TZS 20 each (31 March 2018: 160,472,720 ordinary shares of TZS 20 each).

Share premium

The Group realised from the 2012 Initial Public Offering (IPO), a share premium of TZS 10.491 million. There were no changes in the share premium during the period under review.

Loans

The Group is financed by loans amounting to TZS 334.2 billion as at period end (31 March 2018: TZS 317.5 billion). A significant portion of these loans has been classified as current in these financial statements due to breach of covenants in the loan agreements. For more details, refer to Note 27 of the financial statements.

13 SHAREHOLDING

The shareholding of the Group as at period end is as stated below:

Name	31 December 2018			31 March 2018		
	No. of shares	% Shareholding	Amount TZS'000	No. of shares	% Shareholding	Amount TZS'000
Michael N. Shirima	68,857,650	42.91	1,377,153	68,857,650	42.91	1,377,153
Kenya Airways Limited	66,157,350	41.23	1,323,147	66,157,350	41.23	1,323,147
Public	25,457,720	15.86	509,154	25,457,720	15.86	509,154
	160,472,720	100.00	3,209,454	160,472,720	100.00	3,209,454

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

13 SHAREHOLDING (CONTINUED)

The distribution of shareholders as at 31 December 2018 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 Ownership 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%	20,485,220	12.79%		
	160,472,720	100.00%		

* The Group operates an Employee Share Ownership Scheme that was set up during the Initial Public Offering in 2011. The scheme is inactive and currently holds 1,765,300 shares (31 March 2018: 1,765,300 shares). This is a trust that was established during the Initial Public Offering (IPO) to enable staff to purchase shares collectively.

14 COMPOSITION OF THE BOARD OF DIRECTORS

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

<u>Name</u>	<u>Nationality</u>	<u>Position</u>	<u>Age</u>	<u>Appointment</u>	<u>Resignation</u>
Mr. Michael N. Shirima	Tanzanian	Chairman	78	16 January 1991	N/A
Mr. Vincent M. Shirima	Tanzanian	Director	46	11 September 1997	19 December 2019
Mr. Sebastian Piotr Mikosz	Polish	Director	48	29 June 2017	5 February, 2020
Mr. Avelyne Msaki	Tanzanian	Director	46	29 August 2016	N/A
Mr. Vincent Coste	French	Director	52	20 March 2018	10 August, 2018
Ms. Hellen Muthoni Mathuka	Kenyan	Director	47	20 March 2018	N/A
Mr. Abdulrahman Omar Kinana	Tanzanian	Director	70	18 April 2018	N/A
Mr. Julius Ngunu Thairu	Kenyan	Director	45	1 September 2018	N/A
Mr. Evans Ndorosey	Tanzanian	Director	71	19 December 2019	N/A
Mr. Allan Kilavuka Inuani	Kenyan	Director	49	27 February 2020	N/A

The Group company secretary during the period was Mr. Migire Migire.

15 DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

As shown in item 13 above, Mr. Michael N. Shirima holds 42.91% of the Company's issued ordinary share capital. None of the other Directors holds an interest in the Company.

16 DIRECTORS' REMUNERATION

The Directors are entitled to sitting allowance for every meeting of the Board or its committees as follows:

	<u>31 December 2018</u>	<u>31 March 2018</u>
	<u>TZS '000'</u>	<u>TZS '000'</u>
Chairman of the board	6,236	3,060
Other Directors	24,944	19,885
<u>Other fees paid during the period to the Directors¹:</u>		
Chairman of the board	292,144	380,590

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

17 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; and
- Internal Audit.

18 KEY MANAGEMENT PERSONNEL

The key management personnel who served the Group during the 9-month period up to the date of this report were:

Mr Patrick Mwanri	- Group Managing Director & CEO (Appointed - 1 April 2019)
Ms Sauda Rajab	- Group Managing Director & CEO (Resigned - 31 March 2019)
Mr Deusdedit Mussa	- Head of Finance and Information Systems (Appointed - 1 April 2019)
Mr Elly Osewe	- Head of Finance and Information Systems (Resigned- 31 March 2019)
Ms Lilian Massawe	- Head of Commercial and Ground Services (Appointed 19 June 2019)
Mr Robert Owusu	- Head of Commercial and Ground Services (Resigned 31 March 2019)
Ms Reynada Sikira	- Head of Human Resources and Administration
Mr Peter Fiwa	- Head of Flight Operations
Mr Pablo Alves	- Head of Technical
Mr Patrick Mwanri	- Head Quality, Safety and Security (Re-appointed 1 April 2019)
Mr Khalid Kaude	- Head Quality, Safety and Security (Appointed 19 July 2021)
Ms Anale John	- Head of Internal Audit (Relocated to Revenue Accounting Manager in March 2019)
Ms Wendy Benedict	- Head of Internal Audit (Appointed on, 1 April 2020)
Mr Migire Migire	- Chief Legal Counsel and Company Secretary

None of the mentioned key management personnel are members of the Company's Board of Directors.

19 ACCOUNTING POLICIES

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

The Group's significant accounting policies, which are laid out under Note 6 of the financial statements are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

20 INVESTMENTS

The Company has invested in two (2) subsidiaries, Precision Handling Limited and Precise Systems Limited.

Precision Handling Limited was incorporated in Tanzania in 2010 and 99.99% of its share capital is held by Precision Air Services Limited. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a licence to serve other third-party airlines.

Precise Systems Limited was incorporated in Tanzania in 2011 and 99% of its share capital is held by Precision Air Services Limited. The subsidiary used to distribute the Galileo Reservation system to Airlines and Travel Agents in Tanzania. The Subsidiary commenced operations on 1 July 2012 and stopped operations in 2015.

All subsidiaries are dormant.

21 ACQUISITIONS AND DISPOSALS

There was no disposal or acquisition of business during the 9-month period ended 31 December 2018 (31 March 2018: Nil). Acquisitions and disposals of properties and equipment are disclosed on Note 17 of the financial statements.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

22 POLITICAL AND CHARITABLE DONATIONS

There were no contributions to community projects and other charitable organizations during the period (31 March 2018: Nil). No political donations were made during the period (31 March 2018: Nil).

23 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 period.

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-term 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 and life insurance 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

Group and Company employees are members of the National Social Security Fund ("NSSF"), a publicly administered pension plan on mandatory basis. The Company contributes 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 period totalled 396 as compared to 364 at the end of year ended 31 March 2018. None of the subsidiaries had an employee.

24 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 December 2018, the Group had 255 (64%) male and 141 (36%) female employees (31 March 2018: 238 (65%) male and 126 (35%) female employees).

25 DISABLED PERSONS

It remains the Group's policy to accept disabled persons for employment for those vacancies that they can 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 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 disabilities.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

26 CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

The Board of Directors 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 (4) 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.

All seven (7) members of the Board are non-executive including the chairman of the Board.

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. Avelyne Msaki (Chairman), Mr Abdulrahman Kinana (replaced Mr Vincent M. Shirima in 2021) and Ms. Hellen Muthoni Mathuka. 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 Head of Internal Auditor, Head of Finance and Information Systems and Managing Director / Chief Executive Officer attend all meetings of the committee. The external auditors attend the meetings on invitation.

The Board met three (3) times during the 9-month period ended 31 December 2018 and the audit committee met twice.

Name	84th BOD meeting	BOD Extraordinary meeting	85th BOD meeting	BAC Extraordinary meeting	43 rd BAC meeting
1 Mr Michael Shirima	√	√	√	*	*
2 Mr Vincent N. Shirima	√	√	√	√	√
3 Mr. Avelyne Msaki	√	√	√	√	√
4 Ms. Hellen Mwariri	√	√	√	√	√
5 Mr. Vincent Coste	√	X	R	*	*
6 Mr Sebastian Mikosz	X	√	√	*	*
8 Mr. Abdulrahman Kinana	X	X	√	*	*
9 Julius Thairu	X	X	√	*	*

Key; √ attended the meeting; X absent with apology; R resigned; * Not a member

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 considers 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 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.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

26 CORPORATE GOVERNANCE (CONTINUED)

Directors' emoluments and loans

The aggregate amount of emoluments paid to Directors for services rendered during the 9-month period ended 31 December 2018 are disclosed in Note 30 (b) of the financial statements. Neither at the end of the financial period nor at any time during the period 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 period.

27 CORPORATE SOCIAL RESPONSIBILITY

The Group has identified three (3) key community areas of support in which it participates under the corporate social responsibility program. These are education, assisting orphans and environmental conservation. During the period, there was no corporate social responsibility support that was provided.

28 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.

29 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.

As required by the Capital Markets and Security Authority, the Directors confirms with Guidelines on Corporate Governance Practices by public listed companies in Tanzania.

30 AUDITOR

The auditor, KPMG, has expressed its willingness to continue in office and is eligible for reappointment.

A resolution proposing the reappointment of KPMG as auditor of the Group and Company for the 12-month period ended 31 December 2019 will be put to the Annual General Meeting.

BY THE ORDER OF THE BOARD

Name: Michael Shirima

Name: Avelyne Msaki

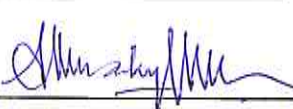
Title: Chairperson

Title: Director

Date: 14 SEPTEMBER 2021

Date: 14 SEPTEMBER 2021

Signature: 

Signature: 

PRECISION AIR SERVICES PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

The Group's Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of Precision Air Services Plc comprising the consolidated and separate statement of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and cash flows for the 9-month period then ended, and the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2002.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Group and Company to continue as a going concern and as disclosed in Note 3(c) to the consolidated and separate financial statements, are aware of a material uncertainty related to events and conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. As disclosed at Note 3(c), the directors have put in place measures and plans to ensure that the Group and Company will continue as a going concern at least 12 months from approval of these financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the consolidated and separate financial statements


The consolidated and separate financial statements of Precision Air Services Plc, as identified in the first paragraph, were approved by the board of directors' on 14 SEPTEMBER 2021.

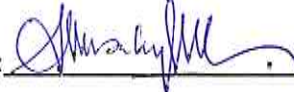
Name: Michael Shirima

Name: Avelyne Msaki

Title: Chairperson

Title: Director

Signature: 

Signature: 

Date: 14 SEPTEMBER 2021

PRECISION AIR SERVICES PLC


**DECLARATION OF THE HEAD OF FINANCE
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Director of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity and performance in accordance with applicable International accounting standards and statutory reporting requirements. Full legal responsibility for consolidated and separate financial statements rests with the Board of Directors as under the Statement of Directors' Responsibility on page 11.

I, **Deusdedit Mussa**, being the Head of Finance of Precision Air Services Plc hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the 9-month period ended 31 December 2018 have been prepared in compliance with the applicable accounting standards and statutory requirements.

I thus confirm that the consolidated and separate financial statements comply with applicable accounting standards and statutory requirement as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: Head of Finance

NBAA Membership No.: ACPA 2132

Date: 14 September 2021



KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P O Box 1160
Dar es Salaam, Tanzania

Telephone +255 22 2600330
Fax +255 22 2600490
Email info@kpmg.co.tz
Internet www.kpmg.com/eastafrica

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

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Precision Air Services Plc ('the Group and Company') as set out on pages 18 to 69, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and Separate statements of cash flows for the 9-month period then ended, and notes to the consolidated and separate financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate statement of financial position of Precision Air Services Plc as at 31 December 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(c) of the consolidated and separate financial statements which indicates that the Group and company incurred a net loss of TZS 37.1 billion and TZS 36.9 billion respectively during the 9-month period ended 31 December 2018 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by TZS 435.8 billion each while the Group's and Company's total liabilities exceeded their total assets by TZS 307.2 billion and TZS 307.8 billion respectively. In addition, the Group and Company defaulted on their debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 334.2 billion being due on demand. As stated in Note 3(c), these events or conditions, along with other matters as set forth in Note 3(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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



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

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters (Continued)

Key Audit Matter	Procedures
1. Passenger revenue recognition in the consolidated and separate financial statements (Refer to Note 5(a) and Note 9 (a) to the consolidated and separate financial statements)	
<p>During the 9-month period ended 31 December 2018, the Group and Company recognised passenger revenue of TZS 97.3 billion.</p> <p>The Group and Company recognise revenue from sale of passenger tickets as income when a passenger has flown or on expiry of the ticket based on agreed terms and conditions.</p> <p>The risk of revenue being recognised in an incorrect period is considered a key audit matter because of the financial significance of passenger revenues. In addition, passenger revenue is a key financial performance measure which could create an incentive for passenger revenues, unutilised tickets and unclaimed passenger tickets to be written back into revenue in an incorrect period.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the revenue management processes and assessing the design and operating effectiveness of relevant manual controls over recognition of revenue; - Evaluating the appropriateness of the allocation of the transaction price, including consideration of multiple performance obligations and the timing of satisfaction of the performance obligations; - Testing existence of revenue transactions during the period by vouching the transactions on sample basis to the underlying supporting documentations such as passenger manifest reports; - Evaluating the reasonability of management's policy for recognising revenue on expired, unutilised and unclaimed tickets against the terms and conditions of the tickets sold and historical trends and also by re-computing the revenue write back based on management's policy informed by historical data; - Reperforming a reconciliation between the total tickets sold, the total revenue recognised (i.e. the total uplifts in the period) including uplifts done by other carriers, the expired tickets recognised in revenue and the sales in advance of carriage (i.e. the unutilised tickets); - Re-computing the write back of expired tickets in the period based on management's policy; - Testing timeliness of revenue recognition by comparing individual sales transactions to flown ticket documents and by checking significant credit notes issued after period-end. - Inspecting manual journals posted to the revenue account for validity; and - Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 15, <i>Revenue from Contracts with Customers</i>.



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

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Key Audit Matters (Continued)

2. Aircrafts impairment in the consolidated and separate financial statements (Note 8(i) and Note 17 to the consolidated and separate financial statements)	
<p>As at 31 December 2018, the Group and Company had aircrafts with a carrying amount of TZS 114.9 billion after charging impairment loss of TZS 22.4 billion during the 9-month period then ended.</p> <p>Aircrafts impairment has been considered to be key audit matter because:</p> <ul style="list-style-type: none">- Aircrafts are the main revenue-generating assets of the Group and Company and it makes up 76% of total assets; and- The identification of indicators of impairment and determination of the estimate of the recoverable amount of aircrafts involves subjective judgments and uncertainties that require special audit consideration because of the likelihood and potential magnitude of misstatements to the values of aircrafts. The determination of the recoverable amounts involves the use of assumptions and market price values informed by factors such as age of the aircraft, economic and market conditions, cumulative hours of flight and cumulative number of flight cycles.	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none">- Assessing the condition of the aircraft and aircraft components through physical verification and inspection of relevant data such as aircraft utilisation records.- Assessing the appropriateness of method used by management in determination of recoverable amount of aircraft by evaluating whether it is aligned to the methodologies and approaches under IFRS 13 <i>Fair Value Measurements</i> and IAS 36 <i>Impairment of Assets</i>.- Challenging the management's assumptions used in determination of recoverable amounts of aircraft and its components such as the use of half-life market values through enquiries with technical engineers and inspection of technical reports; and- Evaluating the adequacy of disclosures in the consolidated and separate financial statements in accordance with the requirements of IAS 36 <i>Impairment of Assets</i> and IFRS 13 <i>Fair Value Measurement</i>.

Other Matter

The consolidated and separate financial statements for the year ended 31 March 2018 were audited by another auditor who expressed an unmodified opinion with a material uncertainty relating to going concern on those statements on 30 April 2019.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled *Precision Air Services Plc Annual Report and Consolidated and Separate Financial Statements for the 9-Month Period Ended 31 December 2018* but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies Act, 2002, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.



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

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

We communicate with Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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



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

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, based on our audit that:

- in our opinion, proper accounting records have been kept by Precision Air Services Plc;
- the individual accounts are in agreement with the accounting records of the Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG
Certified Public Accountants (T)

Signed by engagement partner: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam

Date: 14 SEPTEMBER 2021

PRECISION AIR SERVICES PLC

**CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018**

	Notes	Group 9-month period ended 31 Dec 2018 TZS '000	Group 12-month period ended 31 Mar 2018 TZS '000	Company 9-month period ended 31 Dec 2018 TZS '000	Company 12-month period ended 31 Mar 2018 TZS '000
Revenue	9	97,925,633	139,111,275	97,925,633	139,111,275
Cost of sales	10	(86,608,161)	(105,495,971)	(86,608,161)	(105,495,971)
Gross profit		11,317,472	33,615,304	11,317,472	33,615,304
Other income	11	14,826,503	10,318,560	14,826,503	10,318,560
Marketing expenses	12	(1,136,545)	(1,682,592)	(1,136,545)	(1,682,592)
Administrative expenses	13	(15,233,626)	(36,042,030)	(15,084,090)	(35,902,898)
Impairment loss on aircrafts	17	(22,386,491)	(1,025,824)	(22,386,491)	(1,025,824)
Net increase in impairment provisions for trade receivables	22	(5,333,729)	(4,210,905)	(5,333,729)	(4,210,905)
Operating (loss)/profit		(17,946,416)	972,513	(17,796,880)	1,111,645
Finance costs	14	(19,133,862)	(22,518,099)	(19,133,862)	(22,518,099)
Loss before income tax		(37,080,278)	(21,545,586)	(36,930,742)	(21,406,454)
Income tax expense	25(b)	-	-	-	-
Loss for the period		(37,080,278)	(21,545,586)	(36,930,742)	(21,406,454)
Other comprehensive income		-	-	-	-
Total comprehensive loss		(37,080,278)	(21,545,586)	(36,930,742)	(21,406,454)
Loss attributable to:					
Owners of the Company		(37,080,128)	(21,545,447)	-	-
Non-controlling interest	16	(150)	(139)	-	-
		(37,080,278)	(21,545,586)	-	-
Earnings Per Share (TZS)	36	(231.07)	(134.26)	(230.14)	(133.40)

The notes on pages 23 to 69 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 13-17

PRECISION AIR SERVICES PLC

**CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Notes	Group		Company	
		31 Dec 2018	31 Mar 2018	31 Dec 2018	31 Mar 2018
		TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Non-current assets					
Property and equipment	17	127,777,691	156,102,954	127,351,094	155,529,205
Intangible assets	18	786,393	731,669	582,637	525,529
		<u>128,564,084</u>	<u>156,834,623</u>	<u>127,933,731</u>	<u>156,054,734</u>
Current assets					
Inventory	21	12,464,891	9,118,769	12,464,891	9,118,769
Trade and other receivables	22	5,093,277	9,014,819	5,093,277	9,014,819
Prepayments	23	599,194	210,398	599,194	210,398
Other financial assets	20	2,403,272	2,235,440	2,403,272	2,235,440
Cash and cash equivalents	24	1,306,236	604,937	1,306,236	604,937
		<u>21,866,870</u>	<u>21,184,363</u>	<u>21,866,870</u>	<u>21,184,363</u>
TOTAL ASSETS		<u>150,430,954</u>	<u>178,018,986</u>	<u>149,800,601</u>	<u>177,239,097</u>

The notes on pages 23 to 69 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 13-17

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONTINUED)

EQUITY AND LIABILITIES	Notes	Group		Company	
		31 Dec 18	31 Mar 18	31 Dec 18	31 Mar 18
Equity		TZS '000	TZS '000	TZS '000	TZS '000
Share capital	26(a)	3,209,454	3,209,454	3,209,454	3,209,454
Share premium	26(b)	10,490,987	10,490,987	10,490,987	10,490,987
Accumulated losses		(320,910,532)	(283,830,404)	(321,540,177)	(284,609,435)
Non-controlling interest	16	708	858	-	-
		<u>(307,209,383)</u>	<u>(270,129,105)</u>	<u>(307,839,736)</u>	<u>(270,908,994)</u>
Non-current liabilities					
Borrowings	27	-	661,218	-	661,218
Current liabilities					
Borrowings	27	334,175,125	316,860,180	334,175,125	316,860,180
Overdraft	28	5,206,617	6,825,567	5,206,617	6,825,567
Trade and other payables	29	100,597,061	105,950,311	100,597,061	105,950,311
Sales in advance of carriage	9	15,667,371	16,162,693	15,667,371	16,162,693
Corporate tax payable	25(a)	1,112,019	1,241,176	1,112,019	1,241,176
Other tax payables	25(b)	882,144	446,946	882,144	446,946
		<u>457,640,337</u>	<u>447,486,873</u>	<u>457,640,337</u>	<u>447,486,873</u>
TOTAL LIABILITIES		457,640,337	448,148,091	457,640,337	448,148,091
TOTAL EQUITY AND LIABILITIES		150,430,954	178,018,986	149,800,601	177,239,097

The consolidated and separate financial statements on page 18 to 69 were approved by the Board of Directors and authorised for issue on 14 SEPTEMBER 2021 and were signed by:

Name: Michael Shirima Title: Chairperson

Signature: 

Name: Avelyne Msaki Title: Director

Signature: 

The notes on pages 23 to 69 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 13-17

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

<u>GROUP</u>	<u>Issued capital TZS '000</u>	<u>Share premium TZS '000</u>	<u>Accumulated losses TZS '000</u>	<u>Non- controlling interest TZS '000</u>	<u>Total equity TZS '000</u>
At 1 April 2018	3,209,454	10,490,987	(283,830,404)	858	(270,129,105)
Loss for the period	-	-	(37,080,128)	(150)	(37,080,278)
At 31 December 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(320,910,532)</u>	<u>708</u>	<u>(307,209,383)</u>
At 1 April 2017	3,209,454	10,490,987	(262,284,957)	997	(248,583,519)
Loss for the year	-	-	(21,545,447)	(139)	(21,545,586)
At 31 March 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(283,830,404)</u>	<u>858</u>	<u>(270,129,105)</u>
<u>COMPANY</u>					
At 1 April 2018	3,209,454	10,490,987	(284,609,435)	-	(270,908,994)
Loss for the period	-	-	(36,930,742)	-	(36,930,742)
At 31 December 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(321,540,177)</u>	<u>-</u>	<u>(307,839,736)</u>
At 1 April 2017	3,209,454	10,490,987	(263,202,981)	-	(249,502,540)
Loss for the year	-	-	(21,406,454)	-	(21,406,454)
At 31 March 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(284,609,435)</u>	<u>-</u>	<u>(270,908,994)</u>

The notes on pages 23 to 69 form part of these consolidated and separate financial statements

Report of the Auditor – page 13- 17

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

	Note	Group 9-month period ended 31 Dec 2018 TZS '000	Group 12-month period ended 31 Mar 2018 TZS '000	Company 9-month period ended 31 Dec 2018 TZS '000	Company 12-month period ended 31 Mar 2018 TZS '000
Operating activities					
Loss after tax		(37,080,278)	(21,545,586)	(36,930,742)	(21,406,454)
<i>Adjustments for:</i>					
Depreciation of property and equipment	17	23,797,571	26,383,797	23,650,419	26,244,990
Gain on disposal of property and equipment	11	(18,000)	(11,092)	(18,000)	(11,092)
Amortisation of intangible assets	18	97,502	114,727	95,118	114,727
Interest on borrowings	27	13,957,397	12,491,632	13,957,397	12,491,632
Impairment of property and equipment	17	22,386,491	1,025,824	22,386,491	1,025,824
Provision for bad debts	22	(5,333,729)	(4,210,905)	(5,333,729)	(4,210,905)
Release of provisions		(11,603,813)	18,235,712	(11,603,813)	18,235,712
Net unrealised forex	15	4,032,838	2,745,672	4,032,838	2,745,672
Net cash before working capital changes		10,235,979	35,229,781	10,235,979	35,230,106
<i>Changes in Working Capital:</i>					
• Inventories		(3,346,122)	710,373	(3,346,122)	710,373
• Trade and other receivables		9,381,829	4,532,888	9,381,829	4,532,568
• Prepayments		(388,796)	(83,390)	(388,796)	(83,390)
• Sales in advance of carriage		(495,322)	(4,826,712)	(495,322)	(4,826,712)
• Trade and other payables		6,902,348	(8,168,243)	6,902,348	(8,168,243)
Cash generated from operations		22,289,916	27,394,697	22,289,916	27,394,702
Income tax paid	25(a)	(129,157)	(400,000)	(129,157)	(400,000)
Net cash from operating activities		22,160,759	26,994,697	22,160,759	26,994,702
Investing activities					
Acquisition of computer software	18	(152,226)	(163,758)	(152,226)	(163,763)
Proceeds from sale of property and equipment		18,000	11,092	18,000	11,092
Purchase of property and equipment	17	(17,858,799)	(14,792,152)	(17,858,799)	(14,792,152)
Net cash used in investing activities		(17,993,025)	(14,944,818)	(17,993,025)	(14,944,823)
Financing activities					
Repayment of borrowings					
• Interest	27	(1,737,088)	(3,867,667)	(1,737,088)	(3,867,667)
• Principal	27	(39,828)	(5,063,750)	(39,828)	(5,063,750)
Proceed from borrowings		-	1,798,992	-	1,798,992
Net cash used in financing activities		(1,776,916)	(7,132,425)	(1,776,916)	(7,132,425)
Net increase in cash and cash equivalents		2,390,818	4,917,454	2,390,818	4,917,454
Cash and cash equivalents at start of the period/year		(6,220,630)	(11,252,899)	(6,220,630)	(11,252,899)
Effect of movements in exchange rates on cash held		(70,569)	114,815	(70,569)	114,815
Cash and cash equivalents at period end	24	(3,900,381)	(6,220,630)	(3,900,381)	(6,220,630)

The notes on pages 23 to 69 form part of these consolidated and separate financial statements.

Report of the Auditor – page 13-17

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

1 CORPORATE INFORMATION

The Company is incorporated in Tanzania under the Companies 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 principal activities of the Company are regional and domestic air carriage of passengers and cargo.

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.

The Company has two subsidiaries, Precision Handling Limited and Precise Systems Limited.

Precision Handling Limited was incorporated in Tanzania in 2010 and 99.99% of its share capital is held by Precision Air Services Limited and the minority shareholder is Elias Mwashuuya. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a licence to serve other third-party airlines.

Precise Systems Limited was incorporated in Tanzania in 2011 and 99% of its share capital is held by Precision Air Services Limited, and the minority shareholder is Vincent Ngaleku Shirima. The subsidiary used to distribute the Galileo Reservation system to Airlines and Travel Agents in Tanzania. The Subsidiary commenced operations on 1 July 2012 and stopped operations in 2015.

These consolidated and separate financial statements as at and for the year ended 31 December 2018 comprise the Company and its subsidiary, Precision Handling Limited (together referred to as the "Group").

Where reference is made in the accounting policies to Group or Company it should be interpreted as being applicable to the consolidated or separate financial statements as the context requires. The consolidated and separate financial statements are hereinafter referred to as "the financial statements".

2 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the presentation adopted in these financial statements, the effects of which are considered immaterial.

The Directors passed a resolution to change the financial year from 1st April to 31st March into financial year starting from 1st January to 31st December the main reason being the Company to align its financial year to other stakeholders and key industry players. Hence these financial statements have been prepared for a 9-month period from 1 April 2018 to 31 December 2018 and that the amounts presented in the consolidated and separate financial statements are not entirely comparable with respect to comparative information.

3 BASIS OF ACCOUNTING

a) Statement of compliance and basis of measurements

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002. They were authorized for issue by the Group's Board of Directors on 14 September 2021.

The consolidated and separate financial statements have been prepared on a historical cost basis, except where fair value measurements have been applied.

The consolidated and separate financial statements are presented in Tanzanian Shillings (TZS) which is the Group's functional currency and presentation currency rounded to the nearest Tanzanian thousands shillings ('TZS 000'), unless otherwise indicated.

This is the first set of the Company's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 5.

b) Basis of consolidation

i) Subsidiaries

Subsidiary is the entity controlled by the Company. The Company controls an entity when it 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. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In the separate financial statements, the investment in the subsidiary is carried at cost.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

3 BASIS OF ACCOUNTING

b) Basis of consolidation (Continued)

ii) Non-controlling interest (NCI)

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

iii) Loss of control

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

iv) Transaction eliminated on consolidation

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

c) Going concern

During the 9-month period ended 31 December 2018, the Group and the Company incurred a net loss of TZS 37.1 billion and TZS 36.9 billion respectively.

The Group had its current liabilities exceed its current assets at 31 December 2018 by TZS 435.8 billion (31 March 2018: TZS 426.3 billion) and it was also in a shareholders' deficit position at 31 December 2018 of TZS 307.2 billion (31 March 2018: TZS 270.1 billion).

The Company had its current liabilities exceed its current assets at 31 December 2018 by TZS 435.8 billion (31 March 2018: TZS 426.3 billion) and it was also in a shareholders' deficit position at 31 December 2018 of TZS 307.8 billion (31 March 2018: TZS 270.9 billion).

In addition, as disclosed at Note 7(a) and Note 27, the Group and Company also defaulted on their debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 334.2 billion being due on demand.

The going concern basis of presentation assumes that Precision Air Services Plc. (the "Company") will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Group and Company experienced significant losses for the past five years and has experienced significant negative cash flow from operations over several years. Challenges brought by COVID 19 effects just as for the entire aviation industry around the world, crippled the Company's ability to keep up with the cost of maintaining its equipment. These events or conditions indicate a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. To enable the Group and Company to continue as a going concern, the directors have put in place the following plans:

1. The Group and Company are in the process of seeking waivers from its lenders relating to covenant violations on bank borrowings as at December 31, 2018 and renegotiate the terms of the bank agreements which are now repayable on demand (see Note 27 – Borrowings), the negotiations are still ongoing. The Group and Company are actively pursuing various options with potential lenders and investors which involve debt restructuring to convert current borrowings into non-current liabilities by extending the repayment periods. The renegotiations with lenders also include request for waiver of penalties and interests. Directors believe the debt restructuring will be successful, and will enable the Group and the Company to achieve its business plans by easing liquidity pressure created by debt already due on demand. While no agreements with potential lenders or creditors have been reached yet at the date of approval of the consolidated and separate financial statements, directors believe that such agreements will be reached.
2. Subsequent to the year-end, the Group began implementation of a revised business plan by reviewing the entire network and create a mini-HUB concept in the Dodoma region to support Dar es salaam with the aim improving frequencies count, increase the number of available seats and optimise the competitive range of the aircraft, deepening the focus on alternative revenue streams such as Maintenance Repair Overhaul (MRO) services and set up of Airline Training Organization (ATO), enhanced working relationship with partners for guaranteed supply of key operational services such as fuel and technical spares for maintenance such as instalment payment plans, continuing to focus on cost control and pursuit of efficiencies across all operating cost drivers, particularly in-flight operations, technical and ground operations and all procurement spending.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

3 BASIS OF ACCOUNTING (CONTINUED)

c) Going concern (Continued)

The ability of the Company to continue as a going concern is dependent on the successful completion of the debt restructuring plans and the effective implementation of the operational plans stated above (in 2 above).

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

4 FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Tanzanian Shillings (TZS) which is the Company's functional currency. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in the Tanzanian shillings, which is the Company's functional and presentation currency rounded to the nearest Tanzanian million shillings, unless otherwise indicated.

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially applied IFRS 15 and IFRS 9 from 1 April 2018. Several other new standards are effective from 1 April 2018, but they do not have a material effect on the Group's financial statements. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company adopted IFRS 15, Revenue from Contracts ("IFRS 15") on 1 April 2018 using the modified retrospective approach. The Company is in the business of providing regional and domestic air carriage of passengers and cargo. The Company has completed the process of reviewing sales contracts using the IFRS 15 principles based on five step model and concluded that there is no impact on opening retained earnings as of 1 April and on revenue recognition for 2018.

Therefore, as at 1 April 2018, the accumulated losses have remained unchanged from prior year accumulated losses 31 March 2018 as a result of adopting this standard. IFRS 15 did not have a significant impact on Company's accounting policies with respect to all the revenue streams.

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. IFRS 15 Revenue from Contracts with Customers (Continued)

Performance obligations and revenue recognition policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in the contracts with customers, including significant payment terms and related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 April 2018)	Revenue recognition under IAS 18 (applicable before 1 April 2018)
Passenger	Tickets are pre-sold up in advance of the air transport-taking place. The Company receives payment at or shortly after time of sale. Between time of sale and time of air transport the amounts collected from the customers are presented as sales in advance of carriage liabilities. The value of the resulting sales in advance of carriage liabilities represents the aggregate transaction price of performance obligations not yet satisfied.	Precision air recognises revenue when air transport is delivered to its customer(s) on a flight date promised in the ticket or airway bill (contract).	Precision air recognised revenue transportation when services are provided to passengers.
Interline commissions	A ticket with connecting flights operated by multiple carriers represents a separate performance obligation(s) for each carrier. Interline commission does not have separate performance obligations but are associated with the performance obligation of the air transport.	Interline commission is recognized over time and reflect progress based on segments provided by each operating carrier.	Interline commission recognized when the carrier provides the transportation service at the segment level.
Freight and mail	Performance obligation attached to cargo and mail service is delivering consignment received from the independent contractor to a specified destination.	Freight revenue will be recognised once air transport is completed for the consignment.	Revenue from cargo and mail service is recognised upon the delivery of consignment received from the independent contractor to a specified destination.
Cancellation income	Each fare type that an airline issues will have its own conditions attached, which may include it being restricted, non-upgradeable or non-refundable. This means that if passengers need to make a change to their booking, cancel flights or buy replacement tickets then a change fee (or service fee) may apply. Change fees are not refundable and have no separate value to the customer once paid.	Recognize when performance obligation fulfilled on cancellation.	Airlines generally recognized change fees as revenue at the point the modification was made, and the passenger was charged.

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. IFRS 15 Revenue from Contracts with Customers (Continued)

Performance obligations and revenue recognition policies (Continued)

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15 (applicable from 1 April 2018)	Revenue recognition under IAS 18 (applicable before 1 April 2018)
No show fees and other charges	Ancillary revenue comprises sales of ticket related products and services, like no show fees and other charges. Most of the products and services do not have separate performance obligations but are associated with the performance obligation of the air transport and are hence recognized as revenue at the time of the transport. No show fees represent a modification of the original travel contract where the passenger failed to travel on the scheduled flight time.	Revenue related to ancillary services that are not considered distinct from the contract for a flight should be recognized at the time of the flight. Certain ancillary services which may be distinct services, and which are not specifically associated with a ticket for transportation, may be recognized on a systematic basis that reflects the fulfilment of the related performance obligation.	No show fees recognized as revenue at the time of the collection while other charges recognised with the ticket revenue.
Passenger tickets writeback	Air ticket breakage/writeback constitute of income from sale of tickets, which are eventually not used for travel and cannot be exchanged or refunded.	Breakage/ Writeback is recognised only when the likelihood becomes remote that customers not taking the flight on the scheduled flight date will exercise their right which is normally on expiry of the ticket.	Unutilized expired tickets recognised as revenue when the holder of the tickets no longer entitled to the refund.

Customer loyalty program

The Company 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 determine the reward their entitled to. Members earns and accumulate points on every flight they make basing on the route travelled. The point accrual base rule is that 2% of fare value is collected as Award and as Tier points into member(s) account. Higher Class tickets will bring much more, up to 5-6 times more points to member(s) account.

Member points gained are identified as separate performance obligation and are recognized as a Frequent flyer accrual in these consolidated and separate statement of financial position. Points are valid throughout the year they were earned, plus one year. The member point(s) liability is derecognized from the statement of financial position and recognized as negative revenue by the year movement of Frequent flyer accruals when the points are redeemed or expire. Currently, yearly redemption of member's points is considered low and based on materiality consideration the Company does not perform analysis for estimating redemption rate of loyalty points at each reporting rate.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. IFRS 15 Revenue from Contracts with Customers (Continued)

Revenue recognition policy applicable before 1 April 2018

Generally, revenue is recognized in profit or loss to the extent that it is probable that future economic benefit will flow to the Company and that the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivables, considering contractually defined terms of payments excluding discounts, rebates and Valued Added Taxation (VAT).

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.

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.

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

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.

B. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Policy applicable from 1 April 2018

i. Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

Policy applicable from 1 April 2018 (Continued)

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through other comprehensive income (FVOCI - debt investment; FVOCI - equity investment); or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

Policy applicable from 1 April 2018 (Continued)

ii. Classification and subsequent measurement (Continued)

Financial assets - Business model assessment (Continued)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

Policy applicable from 1 April 2018 (Continued)

iii. Impairment of financial assets and contract assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.

Loss allowances for trade receivables is measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days for credit customers. The Company considers reasonable and supportable forward-looking information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment. Example of micro economic factors considered include changes in inflation rate, GDP rate and interest rates.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised accordance with the requirement of IFRS 9.

iv. Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

Policy applicable before 1 April 2018

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', 'cash and cash equivalents' and other financial assets 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.

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 measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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.

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.

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for financial assets and financial liabilities as at 1 April 2018.

GROUP	Original classification under IAS 39	New classification under IFRS 9	31 Mar 2018 IAS 39 TZS'000	1 Apr 2018 IFRS 9 TZS'000
ASSETS				
Cash and cash equivalents	Loans and receivables	Amortized cost	604,937	604,937
Trade and other receivables	Loans and receivables	Amortized cost	9,014,819	9,014,819
Other financial assets			2,235,440	2,235,440
LIABILITIES				
Borrowings	Other financial liabilities	Amortized cost	317,521,398	317,521,398
Bank overdrafts	Other financial liabilities	Amortized cost	6,825,567	6,825,567
Trade and other payables	Other financial liabilities	Amortized cost	27,460,678	27,460,678
COMPANY				
COMPANY	Original classification under IAS 39	New classification under IFRS 9	31 Mar 2018 IAS 39 TZS'000	1 Apr 2018 IFRS 9 TZS'000
ASSETS				
Cash and cash equivalents	Loans and receivables	Amortized cost	604,937	604,937
Trade and other receivables	Loans and receivables	Amortized cost	9,014,819	9,014,819
Other financial assets	Loans and receivables	Amortized cost	2,235,440	2,235,440
LIABILITIES				
Borrowings	Other financial liabilities	Amortized cost	317,521,398	317,521,398
Bank overdrafts	Other financial liabilities	Amortized cost	6,825,567	6,825,567
Trade and other payables	Other financial liabilities	Amortized cost	27,460,678	27,460,678

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost under IFRS 9.

Effects of the adoption of IFRS 15 and IFRS 9

There is no material effect to the Group and Company resulting from the adoption of IFRS 15 and 9.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

6 SIGNIFICANT ACCOUNTING POLICIES

(a) 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 each of the Group the entities operate ('the functional currency'). The financial statements are presented in Tanzanian Shillings ("TZS") which is the functional currency of each of the Group's entities and Group's 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, payables, receivables, cash and cash equivalents and all other foreign exchange gains and losses are presented in the income statement within 'Finance costs'.

(b) 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 be 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 its 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.

(c) 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. An allowance is made for obsolete, slow moving and defective inventories.

(d) Property and equipment

Property 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 includes the borrowing costs for long-term construction projects if the recognition criteria are met.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

6 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property and equipment (Continued)

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 overhaul of aircraft components – airframe, engines and landing gears are initially capitalized and depreciated on usage patterns 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*	6.75
Motor vehicles	20.00 – 25.00
Computers	25.00 – 33.33
Furniture, equipment and structures	12.50 – 25.00
Structures	4.00 – 25.00

*For aircraft components the depreciation is on usage basis up to next overhaul.

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.

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.

(e) 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. Most of the operating leases by the Company are for the rent for office and outstations occupied and engines when needed.

(f) 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. 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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

6 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) 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 borrowing 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.

(i) 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.

(j) 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.

(k) 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.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

6 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Finance income and expenses

Finance income comprises of interest income on Group's bank accounts. Interest income is recognized as it accrues in profit or loss. Finance costs comprise of interest expense on borrowings. Interest accrued but not yet paid is accounted for under current liabilities.

Foreign currency gains and losses are reported on a net basis.

(m) Dividends

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.

(n) Provisions

A provision is recognized if, as a result of past events, the Group's has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision are determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(o) 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.

(p) Non-current assets held for sale

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. As at year end, management commitment to a plan to sell the aircraft through sale and lease back ceased, appropriately the assets ceased to be classified as held for sale and were transferred back to property and equipment.

(q) 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.

(r) 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% (March 2018: 30%).

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:

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

6 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Taxation (Continued)

Deferred tax (Continued)

- 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.

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.

Tax exposure

In determining the amount of current and deferred tax, the Group considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

6 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(t) Basic and Diluted earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible non-cumulative redeemable preferences shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

(u) Relevant new standards, amendments and interpretations issued but not yet effective and not early adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 leases:

The Company is required to adopt IFRS 16 Leases from 1 April 2019. The main change is that the Company will recognize assets in respect of its rights to use assets held under leases currently classified as operating leases, and liabilities for its obligations to make payments under such leases. The assets will be subject to depreciation and impairment where appropriate, and an interest expense will be reflected on the recognized liabilities.

i) Leases in which the Company is a lessee

The Company will recognize new assets and liabilities for its operating leases of offices space and retail outlets. The nature of expenses related to those leases will now change because the Company will recognize a depreciation charge for right-of-use assets and interest expenses on lease liabilities.

Previously, the Company recognized operating lease expenses on a straight-line basis over the term of the lease and recognized assets and liabilities only to the extent that there was timing difference between actual lease payments and the expense recognized.

ii) Leases in which the Company is a lessor

The Company will elect the practical expedient for applying IFRS 16 to leases previously identified in accordance to IAS 17.

No significant impact is expected for leases in which the Company is a lessor as the plan is to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 April 2019 and identified as leases in accordance with IAS 17.

The Company plans to use the modified retrospective approach, with the cumulative effect of adoption if any recognised as an adjustment to the opening balance of retained earnings and no restatement of comparative information.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

6 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Relevant new standards, amendments and interpretations issued but not yet effective and not early adopted (Continued)

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statement:

- IFRIC 23 Uncertainty over Tax Treatments;
- Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards;
- Amendments to References to Conceptual Framework in IFRS Standards;
- IFRS 17 Insurance Contracts; and
- Definition of Material (Amendments to IAS 1 and IAS 8).

7 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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Liquidity risk (Continued)

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

GROUP

	Carrying amount TZS' 000	Contractual cash flows TZS' 000	On Demand TZS'000	Within 1 year TZS' 000	1 to 5 years TZS' 000
As at 31 December 2018					
Non-derivative financial liabilities					
Borrowings	334,175,125	334,175,125	333,293,505	881,620	-
Bank overdrafts	5,206,617	5,206,617	-	5,206,617	-
Trade and other payables	31,832,083	31,832,083	-	31,832,083	-
	371,213,825	371,213,825	333,293,505	37,920,320	-

As at 31 March 2018

Non-derivative financial liabilities

Borrowings	317,521,398	317,521,398	315,868,353	991,827	661,218
Bank overdrafts	6,825,567	6,825,567	-	6,825,567	-
Trade and other payables	27,460,678	25,150,443	-	25,150,443	-
	351,807,643	349,497,408	315,868,353	32,967,837	661,218

COMPANY

As at 31 December 2018

Non-derivative financial liabilities

Borrowings	334,175,125	334,175,125	333,293,505	881,620	-
Bank overdrafts	5,206,617	6,825,567	-	6,825,567	-
Trade and other payables	31,832,083	31,832,083	-	31,832,083	-
	371,213,825	372,832,775	333,293,505	39,539,270	-

As at 31 March 2018

Non-derivative financial liabilities

Borrowings	317,521,398	317,521,398	315,868,353	991,827	661,218
Bank overdrafts	6,825,567	6,825,567	-	6,825,567	-
Trade and other payables	27,460,678	27,460,678	-	27,460,678	-
	351,807,643	351,807,643	315,868,353	35,278,072	661,218

The Group and Company has defaulted on its debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 334.2 billion being due on demand (See Note 27). Because of this default, the inability of the Group and Company to generate cash that would be sufficient to settle arrears and instalment payments as per the debt agreements (refer to "Key sources of uncertainties in the plans to mitigate the going concern risk" on Note 3 (c)) and the on-going discussions with the lenders on possible rescheduling of the borrowings, there is no reliable basis for developing a reliable liquidity risk profile for borrowings.

As at the date of approval of these financial statements, the loan defaults were not cured.

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 rates, for US dollars or Tanzanian Shillings.

The Group is significantly exposed to sensitivities in US dollar exchange rates. The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US dollar exchange rates and other currencies as this is the major currency that the Group transactions are held, with all other variables held constant, on profit before tax and equity.

	Increase/ decrease in the value	Effect on profit or loss TZS'000	Effect on equity, net of tax TZS'000
<u>Group and Company</u>			
Net effect resulting from borrowings, receivables and payables on the statement of financial position as at 31 December 2018	3%	11,002,558	7,701,791
Net effect resulting from borrowings, receivables and payables on the statement of financial position as at 31 March 2018	3%	9,541,891	6,679,324

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 for Finfund loan portion, with all other variables held constant, on the Group's profit before tax and equity:

Other loans and overdraft facilities have fixed interest rate and thus no interest sensitivity is required.

	Increase/decrease in interest rate	Effect on profit or loss TZS' 000'	Effect on equity, net of tax TZS' 000
<u>Group and Company</u>			
Net effect based on statement of financial position as at 31 December 2018	1%	243,293	170,306
Net effect based on statement of financial position as at 31 March 2018	1%	239,816	167,871

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

7 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. The credit risk management and control are centralised

in the credit control team of the Company under Finance department and reported to the Board of Directors and heads of department regularly. Write offs and significant impairments including handing over for collection is ultimately approved by the board of Directors following recommendation by the Heads of departments.

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 (including the credit quality) is shown on Note 18. Cash and short-term deposits are neither past due nor impaired. No collateral is held for financial assets that are neither past due nor impaired. There are no external or internal credit ratings for the financial assets.

Maximum exposure

The amount that best represents the Group's maximum exposure to credit risk at 31 December 2018 is made up of as follows:

	Group		Company	
	31 Dec 2018 TZS'000	31 Mar 2018 TZS'000	31 Dec 2018 TZS'000	31 Mar 2018 TZS'000
Cash and cash equivalents*	1,304,151	604,937	1,304,151	604,937
Other financial assets	2,403,272	2,235,440	2,403,272	2,235,440
Trade and other receivables	5,024,692	8,988,333	5,024,692	8,988,333
	<u>8,732,115</u>	<u>11,828,710</u>	<u>8,732,115</u>	<u>11,828,710</u>

*Excludes petty cash.

e. 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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

8 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. Revision to estimates are recognised prospectively.

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

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; and
- c) Evidence from internal reporting which indicates that the performance of the asset is, or will be, worse than expected.

In the determination of the recoverable amounts, management uses an independent external platform for aircraft valuation namely Flight Ascend.

Management uses 'half-life soft market value' scenario which assumes the world's principal traffic generating regions are in the middle of a recession or a period of economic stagnation, which historically have a negative impact on aircraft values. This is when airlines experience low growth or even traffic reductions, make losses, cut their fleets and staff or reduce fleet growth plans. The market becomes imbalanced, with supply outstripping demand, resulting in more parked aircraft and lower utilisation rates, which in turn, increase aircraft availability. Half-life prices indicate the recoverable amount assuming that the airframe, engines, landing gear and all major components are half-way between major overhauls and that any life-limited component (for example a cycle limited engine disk) has used up half of its life.

The specific assumptions considered during the year are;

- (a) Commercial airliners are valued in typical airline configurations (e.g. passenger or freighter aircraft, Combi, Quick Change);
- (b) Purpose-built business jets and specific corporate/VIP versions of airliners (e.g. Airbus A318 ACJ, Boeing BBJ1) are valued assuming they are typically equipped in terms of their interior and specification;
- (c) It should also be noted that any damage history on a business jet will usually impact its value – Flight Ascend Online Values cannot take this into account, but the user may contact Flight Ascend Consultancy for a more detailed desktop valuation of such aircraft;
- (d) All values are intended to reflect what might be expected from the result of an "arm's length, single sale" transaction, for cash or equivalent consideration, conducted in an orderly manner (for which we consider a period of up to 12 months to come to fruition to be reasonable) between a "willing buyer" and "willing seller" and with the aircraft free of any lease or charge; and
- (e) The aircraft is free of any onerous restrictions in respect of its ownership and title documentation. The values are therefore not intended to reflect any sale encumbered with a lease or in a distress/forced sale scenario.

The principal variables used are, the age of the aircraft and the economic and market conditions. Age of the aircraft is indicated by year of build and utilization data such as cumulative hours of flight and cumulative number of cycles.

Included in property and equipment are three (3) aircrafts (ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a carrying value before impairment of TZS 42.6 billion that are currently unutilized as a result of defective engines. Impairment assessment on these aircrafts has been conducted with reference to their soft market half-life prices as at 31 December 2018. Together with these three aircrafts, other aircrafts were also subjected to impairment assessment and an additional impairment of TZS 22.4 billion (31 March 2018: TZS 1.0 billion) has been recognised during the period and is included in 'Impairment loss on aircrafts' line item in the statement of profit or loss and other comprehensive income.

The recoverable amounts are categorized as Level 3 in the fair value hierarchy as defined in Note 38.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

8 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

ii. Unused ticket revenue

Unused ticket revenue i.e. passenger ticket writeback revenue are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. Tickets that remain unused for a period exceeding 24 months are recognised in the statement of profit or loss. The income statement impact of the unused tickets writeback is disclosed under Note 9 of the financial statements.

iii. Useful lives of property and equipment, and intangible assets

Critical estimates are made by the Directors in determining the useful lives and residual values of property and equipment, and intangible assets based on the intended use of the asset and the economic lives of those assets. 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 6 (d).

iv. 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 25) that has not been recognised.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

9 REVENUE

A. Revenue streams

The Group generates revenue primarily from the sale of passenger tickets. Other source of revenue is freight and mail carriage. The table below summarises the income from each stream.

	Group 9-month period ended <u>31 Dec 2018</u> TZS '000	Group 12-month period ended <u>31 Mar 2018</u> TZS '000	Company 9-month period ended <u>31 Dec 2018</u> TZS '000	Company 12-month period ended <u>31 Mar 2018</u> TZS '000
Passenger related revenue	97,272,084	138,325,165	97,272,084	138,325,165
Freight and mail	<u>653,549</u>	<u>786,110</u>	<u>653,549</u>	<u>786,110</u>
	<u><u>97,925,633</u></u>	<u><u>139,111,275</u></u>	<u><u>97,925,633</u></u>	<u><u>139,111,275</u></u>

B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and major products and service.

	Group 9-month period ended <u>31 Dec 2018</u> TZS '000	Group 12-month period ended <u>31 Mar 2018</u> TZS '000	Company 9-month period ended <u>31 Dec 2018</u> TZS '000	Company 12-month period ended <u>31 Mar 2018</u> TZS '000
<i>Major products/service lines</i>				
Passenger revenue	73,376,470	97,108,380	73,376,470	97,108,380
Passenger interline revenue	316,902	128,610	316,902	128,610
Freight and mail	653,549	786,110	653,549	786,110
Cancellation income	426,165	447,882	426,165	447,882
No show and other charges	843,900	1,258,842	843,900	1,258,842
Fuel Surcharge	18,169,487	25,259,321	18,169,487	25,259,321
Passenger tickets writeback	<u>4,139,160</u>	<u>14,122,130</u>	<u>4,139,160</u>	<u>14,122,130</u>
	<u><u>97,925,633</u></u>	<u><u>139,111,275</u></u>	<u><u>97,925,633</u></u>	<u><u>139,111,275</u></u>
<i>Primary geographical markets</i>				
Domestic routes	70,667,560	103,827,888	70,667,560	103,827,888
Regional routes	<u>27,258,073</u>	<u>35,283,387</u>	<u>27,258,073</u>	<u>35,283,387</u>
	<u><u>97,925,633</u></u>	<u><u>139,111,275</u></u>	<u><u>97,925,633</u></u>	<u><u>139,111,275</u></u>

C. Contract balances

Receivables, which are included in 'trade and other receivables'	4,228,292	7,812,617	4,228,292	7,812,617
Contract liabilities	16,044,479	16,538,881	16,044,479	16,538,881

The Group has no contract assets.

The contract liabilities primarily relate to the advance consideration received from customers for air transportation or freight carriage for which revenue has not been recognised yet i.e Unused tickets and to the unredeemed customer loyalty points. The sales in advance of carriage as at 31 December 2018 amounts to TZS 15.7 billion (31 March 2018: TZS 16.2 billion). The amount of unredeemed customer loyalty points TZS 377.1 million (31 March 2018: TZS 376.1 million). This will be recognised as revenue when the points are redeemed by customers as per IFRS 15, which is expected to occur over the next two years.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

	Group 9-month period ended <u>31 Dec 2018</u> TZS '000	Group 12-month period ended <u>31 Mar 2018</u> TZS '000	Company 9-month period ended <u>31 Dec 2018</u> TZS '000	Company 12-month period ended <u>31 Mar 2018</u> TZS '000
13 ADMINISTRATIVE EXPENSES				
Salaries and wages	4,915,531	6,516,469	4,915,531	6,516,469
Other employment costs	1,660,097	1,401,495	1,660,097	1,401,495
Contribution to pension fund	326,498	289,926	326,498	289,926
Payroll levies	727,524	968,029	727,524	968,029
Audit fees	281,884	818,993	281,884	818,993
Bank charges	134,853	219,235	134,853	219,235
Motor vehicle expenses	1,127,084	1,460,729	1,127,084	1,460,729
Legal and professional fees	291,387	389,011	291,387	389,011
Rent, maintenance and supplies	1,917,170	2,536,849	1,917,170	2,536,849
General specified expenses	2,765,681	20,163,104	2,765,681	20,163,104
Board meeting expenses	69,960	52,423	69,960	52,423
Amortization of intangible assets	97,502	114,727	95,118	114,727
Depreciation-motor vehicles, structure, computers, furniture and equipment	918,455	1,111,040	771,303	971,908
	<u>15,233,626</u>	<u>36,042,030</u>	<u>15,084,090</u>	<u>35,902,898</u>
14 FINANCE COSTS				
Interest on debts and borrowings	14,215,483	18,051,551	14,215,483	18,051,551
Net foreign exchange loss (Note 15)	4,918,379	4,466,548	4,918,379	4,466,548
	<u>19,133,862</u>	<u>22,518,099</u>	<u>19,133,862</u>	<u>22,518,099</u>
15 NET FOREIGN EXCHANGE LOSS				
Realised foreign exchange loss	885,541	1,720,876	885,541	1,720,876
Unrealised foreign exchange loss	4,032,838	2,745,672	4,032,838	2,745,672
	<u>4,918,379</u>	<u>4,466,548</u>	<u>4,918,379</u>	<u>4,466,548</u>

Loss on foreign currency denominated transactions and balances largely relates to translation of US\$ borrowings and US\$ suppliers balances.

16 NON- CONTROLLING INTEREST

The following table summarises the unaudited information relating to the NCI of the Groups subsidiaries- Precision Handling Limited (PHL) and Precise Systems Limited (PSL) before any intra-group eliminations. Refer to Note 1.

	<u>31 December 2018</u>		<u>31 March 2018</u>	
	PHL	PSL	PHL	PSL
NCI percentage	0.10%	1.00%	0.10%	1.00%
Non-current assets	426,597	203,756	576,133	203,756
Current liabilities	(1,755,453)	-	(1,755,453)	-
Net assets	<u>(1,328,856)</u>	<u>203,756</u>	<u>(1,179,320)</u>	<u>203,756</u>
Net assets attributable to NCI	(1,329)	2,037	(1,179)	2,037
Revenue	-	-	-	-
Loss for the year	(149,536)	-	(139,132)	-
Total comprehensive income	<u>(149,536)</u>	<u>-</u>	<u>(139,132)</u>	<u>-</u>
Loss allocated to NCI	(150)	-	(139)	-
Net cash flows from operating activities	(150)	-	(139)	-
Net decrease in cash and cash equivalents	<u>(150)</u>	<u>-</u>	<u>(139)</u>	<u>-</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

17 PROPERTY AND EQUIPMENT

GROUP	Aircraft TZS '000	Motor vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress (Hangar) TZS '000	Total TZS '000
Cost:						
At 1 April 2018	336,345,488	1,634,186	2,907,124	16,563,210	-	357,450,008
Additions	16,912,839	-	56,477	299,747	589,736	17,858,799
Disposals	-	-	-	(85,221)	-	(85,221)
At 31 December 2018	353,258,327	1,634,186	2,963,601	16,777,736	589,736	375,223,586
Depreciation and impairment:						
At 1 April 2018	193,045,051	1,357,525	2,249,207	4,695,271	-	201,347,054
Charge for the period	22,879,116	135,645	162,063	620,747	-	23,797,571
Impairment (*)	22,386,491	-	-	-	-	22,386,491
Disposals	-	-	-	(85,221)	-	(85,221)
At 31 December 2018	238,310,658	1,493,170	2,411,270	5,230,797	-	247,445,895
Carrying amount						
At 31 December 2018	114,947,669	141,016	552,331	11,546,939	589,736	127,777,691
At 31 March 2018	143,300,437	276,661	657,917	11,867,939	-	156,102,954

(*) Impairment losses during the year arose significantly from the grounded aircrafts.

Refer to Note 27 for assets pledged as security. All aircraft and aircraft components are pledged as security for the Citibank International Plc, Finfund Industrial Co-operation loan and Export Development Canada (EDC)) and Stanbic Bank Tanzania Limited as explained in Note 27 and Note 28. The aircraft hangar with a net book value of TZS 10.6 billion is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 27.

Included in property and equipment are three (3) grounded aircrafts (ATR 42-320 5HPAG, ATR 42-600 5H-PWH and ATR 42-600 5H-PWH) with a Net Book Value of TZS 42.6 billion before impairment. These aircrafts have been written down to their recoverable values amounting to TZS 10.8 billion. The aircrafts are currently unutilized as a result of defective engines.

At the end of the period ended 31 December 2018, the Group entity has assets worth TZS 3.1 billion worth of plant and equipment that were fully depreciated but still in use.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

17 PROPERTY AND EQUIPMENT (CONTINUED)

GROUP	Aircraft	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress (Hangar)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost:						
At 1 April 2017	322,048,244	1,520,729	2,592,663	16,543,822	-	342,705,458
Additions	14,297,244	161,059	314,461	19,388	-	14,792,152
Disposals	-	(47,602)	-	-	-	(47,602)
At 31 March 2018	336,345,488	1,634,186	2,907,124	16,563,210	-	357,450,008
Depreciation and impairment:						
At 1 April 2017	166,746,145	1,334,895	2,112,286	3,791,709	-	173,985,035
Charge for the year	25,273,082	70,232	136,921	903,562	-	26,383,797
Impairment	1,025,824	-	-	-	-	1,025,824
Disposals	-	(47,602)	-	-	-	(47,602)
At 31 March 2018	193,045,051	1,357,525	2,249,207	4,695,271	-	201,347,054
Carrying amount						
At 31 March 2018	143,300,437	276,661	657,917	11,867,939	-	156,102,954
At 31 March 2017	155,302,099	185,834	480,377	12,752,113	-	168,720,423

Refer to Note 27 for assets pledged as security. All aircraft and aircraft components are pledged as security for the Citibank International Plc, Finfund Industrial Co-operation loan, Export Development Canada (EDC) and Stanbic Bank Tanzania Limited as explained in Note 27 and Note 28. The aircraft hangar with a net book value of TZS 11 billion is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 27.

Included in property and equipment are two aircrafts (ATR 42-600 5H-PWH and ATR 42-600 5H-PWH) with a carrying value of TZS 36.7 billion that are currently unutilized as a result of defective engines.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

17 PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY	Aircraft TZS '000	Motor Vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress (Hangar) TZS '000	Total TZS '000
Cost:						
At 1 April 2018	336,345,488	1,606,391	1,816,409	14,729,117	-	354,497,405
Additions	16,912,839	-	56,477	299,747	589,736	17,858,799
Disposals	-	-	-	(85,221)	-	(85,221)
At 31 December 2018	353,258,327	1,606,391	1,872,886	14,943,643	589,736	372,270,983
Depreciation and impairment:						
At 1 April 2018	193,045,051	1,330,604	1,491,825	3,100,720	-	198,968,200
Charge for the period	22,879,116	98,838	161,824	510,641	-	23,650,419
Impairment*	22,386,491	-	-	-	-	22,386,491
Disposals	-	-	-	(85,221)	-	(85,221)
At 31 December 2018	238,310,658	1,429,442	1,653,649	3,526,140	-	244,919,889

Carrying amount

At 31 December 2018	114,947,669	176,949	219,237	11,417,503	589,736	127,351,094
At 31 March 2018	143,300,437	275,787	324,584	11,628,397	-	155,529,205

(* Impairment losses during the year arose significantly from the grounded aircrafts.

Refer to Note 27 for assets pledged as security. All aircraft and aircraft components are pledged as security for the Citibank International Plc, Finfund Industrial Co-operation loan and Export Development Canada (EDC) and Stanbic Bank Tanzania Limited as explained in Note 27 and Note 28. The aircraft hangar with a net book value of TZS 10.6 billion is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 27.

Included in property and equipment are three (3) grounded aircrafts (ATR 42-320 5HPAG, ATR 42-600 5H-PWH and ATR 42-600 5H-PWH) with a Net Book Value of TZS 42.6 billion before impairment. These aircrafts have been written down to their recoverable values amounting to TZS 10.8 billion. The aircrafts are currently unutilized as a result of defective engines.

At the end of the period ended 31 December 2018, the Company entity has assets worth TZS 2.8 billion worth of plant and equipment that were fully depreciated but still in use.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

17

COMPANY	Aircraft	Motor	Computers	Furniture,	Work	Total
	TZS '000	vehicles	TZS '000	equipment	in progress	
				& structures	(Hangar)	
				TZS '000	TZS '000	TZS '000
Cost:						
At 1 April 2017	322,048,244	1,492,934	1,501,948	14,709,729	-	339,752,855
Additions	14,297,244	161,059	314,461	19,388	-	14,792,152
Disposals	-	(47,602)	-	-	-	(47,602)
At 31 March 2018	336,345,488	1,606,391	1,816,409	14,729,117	-	354,497,405
Depreciation and impairment:						
At 1 April 2017	166,746,145	1,307,976	1,354,904	2,335,965	-	171,744,990
Charge for the year	25,273,082	70,232	136,921	764,755	-	26,244,990
Impairment	1,025,824	-	-	-	-	1,025,824
Disposals	-	(47,604)	-	-	-	(47,604)
At 31 March 2018	193,045,051	1,330,604	1,491,825	3,100,720	-	198,968,200
Carrying amount						
At 31 March 2018	143,300,437	275,787	324,584	11,628,397	-	155,529,205
At 31 March 2017	155,302,099	184,958	147,044	12,373,764	-	168,007,865

Refer to Note 27 for assets pledged as security. All aircraft and aircraft components are pledged as security for the Citibank International Plc, Finfund Industrial Co-operation loan, Export Development Canada (EDC) and Stanbic Bank Tanzania Limited as explained in Note 27 and Note 28. The aircraft hangar with a net book value of TZS 11 billion is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 27.

Included in property and equipment are two aircrafts (ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a carrying value of TZS 36.7 billion that are currently unutilized as a result of defective engines.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

18 INTANGIBLE ASSETS	Computer software TZS '000	Work in progress TZS '000	Total TZS '000
GROUP			
<u>Cost</u>			
At 1 April 2018	1,758,551	126,386	1,884,937
Additions	21,853	130,373	152,226
Transfer from work in progress	256,759	(256,759)	-
At 31 December 2018	2,037,163	-	2,037,163
<u>Accumulated amortisation</u>			
At 1 April 2018	1,153,268	-	1,153,268
Charge for the period	97,502	-	97,502
At 31 December 2018	1,250,770	-	1,250,770
Carrying amount	786,393	-	786,393
<u>Cost</u>			
At 1 April 2017	1,721,179	-	1,721,179
Additions	37,372	126,386	163,758
At 31 March 2018	1,758,551	126,386	1,884,937
<u>Accumulated amortisation</u>			
At 1 April 2017	1,038,541	-	1,038,541
Charge for the year	114,727	-	114,727
At 31 March 2018	1,153,268	-	1,153,268
Carrying amount	605,283	126,386	731,669

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

18 INTANGIBLE ASSETS (CONTINUED)

	Computer software TZS '000	Work in progress TZS '000	Total TZS '000
COMPANY			
Cost			
At 1 April 2018	1,504,398	126,386	1,630,784
Additions	21,853	130,373	152,226
Transfer from work in progress	256,759	(256,759)	-
At 31 December 2018	1,783,010	-	1,783,010
Accumulated amortisation			
At 1 April 2018	1,105,255	-	1,105,255
Charge for the period	95,118	-	95,118
At 31 December 2018	1,200,373	-	1,200,373
Carrying amount	582,637	-	582,637
Cost			
At 1 April 2017	1,467,021	-	1,467,021
Additions	37,377	126,386	163,763
At 31 March 2018	1,504,398	126,386	1,630,784
Accumulated amortisation			
At 1 April 2017	990,528	-	990,528
Charge for the year	114,727	-	114,727
At 31 March 2018	1,105,255	-	1,105,255
Carrying amount	399,143	126,386	525,529

19 INVESTMENT IN SUBSIDIARIES

The carrying amounts of the Company's investments in its subsidiaries, Precision Handling Limited and Precise Systems Limited as at 31 December 2018 are summarised below;

	31 December 2018			31 March 2018		
	Cost TZS'000	Impairment TZS'000	Carrying amount TZS'000	Cost TZS'000	Impairment TZS'000	Carrying amount TZS'000
Precision Handling Limited	1,000,000	(1,000,000)	-	1,000,000	(1,000,000)	-
Precise Systems Limited	10,000	(10,000)	-	10,000	(10,000)	-
	1,010,000	(1,010,000)	-	1,010,000	(1,010,000)	-

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The financial information of the subsidiaries for the 9-month period to 31 December 2018 is as summarised below;

	<u>Total assets</u>	<u>Total liabilities and equity</u>	<u>Revenue</u>	<u>Expenses</u>
	TZS '000	TZS '000	TZS '000	TZS '000
<u>Period ended 31 December 2018</u>				
Precision Handling Limited	<u>426,597</u>	<u>(426,597)</u>	<u>-</u>	<u>(149,536)</u>
Precise Systems Limited	<u>203,756</u>	<u>(203,756)</u>	<u>-</u>	<u>-</u>
<u>Year ended 31 March 2018</u>				
Precision Handling Limited	<u>576,133</u>	<u>(576,133)</u>	<u>-</u>	<u>(139,132)</u>
Precise Systems Limited	<u>203,756</u>	<u>(203,756)</u>	<u>-</u>	<u>-</u>

20 OTHER FINANCIAL ASSETS

	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>
	TZS '000	TZS '000	TZS '000	TZS '000
IATA security deposit	79	79	79	79
Credit card security deposit	1,722,229	1,564,141	1,722,229	1,564,141
Aircraft security deposit	<u>680,964</u>	<u>671,220</u>	<u>680,964</u>	<u>671,220</u>
	<u>2,403,272</u>	<u>2,235,440</u>	<u>2,403,272</u>	<u>2,235,440</u>
Current portion	2,403,272	2,235,440	2,403,272	2,235,440
Non-current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,403,272</u>	<u>2,235,440</u>	<u>2,403,272</u>	<u>2,235,440</u>

Other assets relate to cash deposited by the Company to third parties. These deposits do not attract any interest. The credit card security deposits are deposits held by the card companies against the chargebacks from card holders.

Aircraft security deposits are the deposits kept by ATR for the purchase of an aircraft. While the above are held at amortised cost, their fair value approximate their carrying values due to their relatively short-term nature.

The movement in deposit is as follows:

	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>
	TZS '000	TZS '000	TZS '000	TZS '000
At start of the period/year	2,235,440	1,691,759	2,235,440	1,691,759
Additional deposit	270,550	336,317	270,550	336,317
Foreign exchange (losses)/gains	<u>(102,718)</u>	<u>207,364</u>	<u>(102,718)</u>	<u>207,364</u>
At the end of the period/year	<u>2,403,272</u>	<u>2,235,440</u>	<u>2,403,272</u>	<u>2,235,440</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

21 INVENTORY

	Group <u>31 Dec 2018</u> TZS '000	Group <u>31 Mar 2018</u> TZS '000	Company <u>31 Dec 2018</u> TZS '000	Company <u>31 Mar 2018</u> TZS '000
Aircraft spare parts*	12,637,329	9,145,124	12,637,329	9,145,124
Fuel and stationeries	321,642	467,725	321,642	467,725
Stock provisions	<u>(494,080)</u>	<u>(494,080)</u>	<u>(494,080)</u>	<u>(494,080)</u>
	<u>12,464,891</u>	<u>9,118,769</u>	<u>12,464,891</u>	<u>9,118,769</u>

*The Inventories are pledged as floating security for Stanbic overdraft facility with the Company.

In the period ended 31 December 2018, inventories of TZS 26.9 billion (March 2018: TZS 35.5 billion) were recognised as expenses and are included in cost of sales line item.

22 TRADE AND OTHER RECEIVABLES

	Group <u>31 Dec 2018</u> TZS '000	Group <u>31 Mar 2018</u> TZS '000	Company <u>31 Dec 2018</u> TZS '000	Company <u>31 Mar 2018</u> TZS '000
Trade receivables - third party	11,054,183	63,486,069	11,054,183	63,486,069
Allowance for credit losses	<u>(6,825,891)</u>	<u>(55,376,574)</u>	<u>(6,825,891)</u>	<u>(55,376,574)</u>
Net receivables – third party	4,228,292	8,109,495	4,228,292	8,109,495
Trade receivables – related party (Note 30 (e))	-	-	-	2,755,453
Allowance for credit losses	-	-	-	<u>(2,755,453)</u>
Net receivable – related party	-	-	-	-
Other receivables	796,400	878,837	796,400	878,837
Advances to suppliers	56,615	26,487	56,615	26,487
Staff loans, advances and imprest	11,970	296,878	11,970	296,878
Allowances for credit losses - other debtors	-	(296,878)	-	(296,878)
Net other receivables	<u>864,985</u>	<u>905,324</u>	<u>864,985</u>	<u>905,324</u>
Net trade and other receivables	<u>5,093,277</u>	<u>9,014,819</u>	<u>5,093,277</u>	<u>9,014,819</u>
<u>Movement in allowance account</u>				
At start of period/year:	55,673,452	51,462,547	58,428,905	54,218,000
Additions	5,333,729	4,210,905	5,333,729	4,210,905
Allowance account – Written off	<u>(54,181,290)</u>	-	<u>(56,936,743)</u>	-
At end of the period/year	<u>6,825,891</u>	<u>55,673,452</u>	<u>6,825,891</u>	<u>58,428,905</u>
<u>Trade receivables age analysis</u>				
Neither past due nor impaired	2,805,769	5,826,716	2,805,769	5,826,716
Past due but not impaired	1,422,524	2,282,779	1,422,524	2,282,779
Overdue and fully impaired	<u>6,825,890</u>	<u>55,376,574</u>	<u>6,825,890</u>	<u>55,376,574</u>
	<u>11,054,183</u>	<u>63,486,069</u>	<u>11,054,183</u>	<u>63,486,069</u>

No collateral is held for the trade and other receivables.

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	Group <u>31 Dec 2018</u> TZS '000	Group <u>31 Mar 2018</u> TZS '000	Company <u>31 Dec 2018</u> TZS '000	Company <u>31 Mar 2018</u> TZS '000
United States Dollars	4,720,117	3,934,596	4,720,117	3,934,596
Euro	721,084	1,023	721,084	1,023
Sterling Pound	254,670	325,100	254,670	325,100
Canadian Dollars	39,061	744,499	39,061	744,499
South African Rand	648,525	48,559	648,525	48,559
Kenya Shillings	40,141	39,261	40,141	39,261
	<u>6,423,598</u>	<u>5,093,038</u>	<u>6,423,598</u>	<u>5,093,038</u>

23 PREPAYMENTS

	Group <u>31 Dec 2018</u> TZS '000	Group <u>31 Mar 2018</u> TZS '000	Company <u>31 Dec 2018</u> TZS '000	Company <u>31 Mar 2018</u> TZS '000
Insurance	503,220	48,170	503,220	48,170
Spare parts	63,770	-	63,770	-
IOSA Costs	-	159,178	-	159,178
Other	32,204	3,050	32,204	3,050
	<u>599,194</u>	<u>210,398</u>	<u>599,194</u>	<u>210,398</u>

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

24 CASH AND CASH EQUIVALENTS

	Group <u>31 Dec 2018</u> TZS '000	Group <u>31 Mar 2018</u> TZS '000	Company <u>31 Dec 2018</u> TZS '000	Company <u>31 Mar 2018</u> TZS '000
Bank balances	1,184,684	575,837	1,184,684	575,837
Short term deposits	119,467	29,100	119,467	29,100
Petty cash	2,085	-	2,085	-
Cash and cash equivalents	1,306,236	604,937	1,306,236	604,937
Bank overdrafts for cash management purposes	(5,206,617)	(6,825,567)	(5,206,617)	(6,825,567)
Cash and cash equivalents in the statement of cashflows	(3,900,381)	(6,220,630)	(3,900,381)	(6,220,630)

Cash and cash equivalents comprise of the following amounts denominated in foreign currency:

		Group <u>31 Dec 2018</u> TZS '000	Group <u>31 Mar 2018</u> TZS '000	Company <u>31 Dec 2018</u> TZS '000	Company <u>31 Mar 2018</u> TZS '000
United States Dollars	USD	376,173	289,129	376,173	289,129
Euro	EUR	27,569	26,172	27,569	26,172
Kenya Shillings	KES	(8,609)	6,911	(8,609)	6,911
		<u>395,133</u>	<u>322,212</u>	<u>395,133</u>	<u>322,212</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

25 INCOME TAX	Group 31 Dec 2018 TZS '000	Group 31 Mar 2018 TZS '000	Company 31 Dec 2018 TZS '000	Company 31 Mar 2018 TZS '000
(a) Corporate tax payable				
At beginning of the period/year	1,241,176	1,641,176	1,241,176	1,641,176
Payments during the period/year	(129,157)	(400,000)	(129,157)	(400,000)
Tax charge for the period	-	-	-	-
At end of the period/year	<u>1,112,019</u>	<u>1,241,176</u>	<u>1,112,019</u>	<u>1,241,176</u>
(b) Other tax payable*				
At beginning of the period/year	446,946	446,946	446,946	446,946
Payments during the period/year	-	-	-	-
AMT charge for the period	435,198	-	435,198	-
	<u>882,144</u>	<u>446,946</u>	<u>882,144</u>	<u>446,946</u>
(c) Tax charge				
Current period tax charge	-	-	-	-
Deferred tax charge	-	-	-	-

* This related to tax payable with respect to alternative minimum taxes.

The alternative minimum tax (presented as income tax expense in 2019) has been reclassified from Income tax expense to administrative expenses as per IAS 12.

Section 4(1) (a) of the income tax Act of 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 and group have unrelieved tax losses and hence, liable to alternate minimum tax charge.

(d) Reconciliation of the tax based on accounting loss to actual tax

	Group 9-months period ended 31 Dec 2018 TZS '000	Group 12-months period ended 31 Mar 2018 TZS '000	Company 9-months period ended 31 Dec 2018 TZS '000	Company 12-months period ended 31 Mar 2018 TZS '000
Loss before income tax	(37,080,278)	(21,098,642)	(36,930,742)	(20,959,510)
Tax at applicable rate of 30%	(11,124,083)	(6,329,593)	(11,079,223)	(6,287,853)
Tax effect of non-deductible expenses	1,603,343	5,812,645	1,603,343	5,729,165
Deferred tax movement not recognized	24,099,542	516,948	24,054,682	558,688
Effect of prior year deferred tax - under provision	<u>(14,578,802)</u>	-	<u>(14,578,802)</u>	-
Total tax expense/ (credit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

25 INCOME TAX (CONTINUED)

(e) Deferred tax

Group	At 1 Apr 18 TZS '000	Charge/ (credit) to P&L TZS '000	At 31 Dec 2018 TZS '000
Accelerated capital deductions	31,569,338	(10,449,828)	21,119,510
Unrealised foreign exchange losses and provisions	(25,622,518)	(713,690)	(26,336,208)
Tax losses	(51,014,181)	(12,932,807)	(63,946,988)
Net deferred tax (asset)	(45,067,361)	(24,096,325)	(69,163,686)
Deferred tax not recognised	45,067,361	24,096,325	69,163,686
Net deferred tax (asset)/liability recognised	-	-	-

Group	At 1 Apr 17 TZS '000	Charge/ (credit) to P&L TZS '000	At 31 Mar 18 TZS '000
Accelerated capital deductions	35,568,096	(3,998,758)	31,569,338
Unrealised foreign exchange losses and provisions	(24,562,857)	(1,059,661)	(25,622,518)
Tax losses	(56,589,548)	5,575,367	(51,014,181)
Net deferred tax (asset)/ liability	(45,584,309)	516,948	(45,067,361)
Deferred tax not recognised	45,584,309	(516,948)	45,067,361
Net deferred tax (asset)/liability recognised	-	-	-

Company	At Apr 18 TZS '000	Charge/ (credit) to P&L TZS '000	At 31 Dec 2018 TZS '000
Accelerated capital deductions	31,569,338	(10,449,828)	21,119,510
Unrealised foreign exchange losses and provisions	(25,622,518)	(713,690)	(26,336,208)
Tax losses	(50,972,441)	(12,891,164)	(63,863,605)
Net deferred tax (asset)/ liability	(45,025,621)	(24,054,682)	(69,080,303)
Deferred tax not recognised	45,025,621	24,054,682	69,080,303
Net deferred tax (asset)/liability recognised	-	-	-

Company	At 1 Apr 17 TZS '000	Charge/ (credit) to P&L TZS '000	At 31 Mar 18 TZS '000
Accelerated capital deductions	35,568,096	(3,998,758)	31,569,338
Unrealised foreign exchange losses and provisions	(24,562,857)	(1,059,661)	(25,622,518)
Tax losses	(56,589,548)	5,617,107	(50,972,441)
Net deferred tax (asset)/ liability	(45,584,309)	558,688	(45,025,621)
Deferred tax not recognised	45,584,309	(558,688)	45,025,621
Net deferred tax (asset)/liability recognised	-	-	-

The deferred tax asset has not been recognised because the Directors do not expect the Company to generate sufficient taxable profits in the near future against which the asset can be utilised.

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)**

26 EQUITY	Group	Group	Company	Company
	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>
	TZS '000	TZS '000	TZS '000	TZS '000
(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>
Issued and fully paid up: 160,472,720 Ordinary Shares of TZS 20/= each	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>
(b) Share premium	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>

The shareholders of the Group are as indicated in the Director's report.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

27 BORROWINGS

The Company's borrowings are summarised below;

Lender	Average Interest rate	Maturity	Purpose	Security
Citibank International Plc and Finfund Industrial Co-operation (USD) (i) (*)	4.28%	2008–2022	Financing the acquisition of 5 ATR 72-500 and 2 ATR42-500.	The loans secured by the aircraft that have been delivered**
Export Development Canada (EDC) (USD) (ii) (*)	4.64%	2013–2022	Financing the acquisition of 2 ATR 72-600	The loan is secured by the aircraft that have been delivered**
KCB Bank Tanzania Limited (USD) (iii)	9.00%	30.12.2017	Construction of hangar complex at Julius Nyerere International Airport.	The facility was secured by the hangar complex.

(*) The Company is in breach of the terms of the loan agreements as such these loans have been classified as current.

(**) For the purpose of holding collateral for the financiers, the aircrafts are registered in the name of special purpose entities whose equity is held by the security trustees on behalf of the respective financiers. The legal title is to be transferred to Precision Air Services Plc once the loans are fully repaid. The special entities are as listed below:

Special purpose entity	Assets held as collateral financed by:
Swala Leasing and Finance Limited	Citibank International Plc
	Finish Fund Industrial for Corporation Ltd
Antelope Leasing Finance Ltd	Export Development Canada

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

27 BORROWINGS (CONTINUED)

The following table includes the outstanding loan balances for the Group and Company as at the period end:

		<u>Group</u> 31 Dec 2018	<u>Group</u> 31 Mar 2018	<u>Company</u> 31 Dec 2018	<u>Company</u> 31 Mar 2018
		TZS '000	TZS '000	TZS '000	TZS '000
<u>Secured bank term loans include:</u>					
Citibank International Plc and Finfund Industrial Co-operation	(i)	252,896,117	243,567,533	252,896,117	243,567,533
Export Development	(ii)	80,397,388	72,426,380	80,397,388	72,426,380
KCB Bank Tanzania Limited	(iii)	881,620	1,527,485	881,620	1,527,485
		<u>334,175,125</u>	<u>317,521,398</u>	<u>334,175,125</u>	<u>317,521,398</u>
Non-current		-	661,218	-	661,218
Current		<u>334,175,125</u>	<u>316,860,180</u>	<u>334,175,125</u>	<u>316,860,180</u>
Total		<u>334,175,125</u>	<u>317,521,398</u>	<u>334,175,125</u>	<u>317,521,398</u>

The movement in loan balances as at the period end is summarised below:

		<u>Group</u> TZS '000	<u>Group</u> TZS '000	<u>Company</u> TZS '000	<u>Company</u> TZS '000
Opening balance		317,521,398	308,868,363	317,521,398	308,868,363
Repayment		(39,828)	(5,063,750)	(39,828)	(5,063,750)
Overdraft converted to		-	1,798,992	-	1,798,992
Interest expense		13,957,397	12,491,632	13,957,397	12,491,632
Interest paid		(1,737,088)	(3,867,667)	(1,737,088)	(3,867,667)
Unrealised exchange loss		4,473,246	3,293,828	4,473,246	3,293,828
Closing balance		<u>334,175,125</u>	<u>317,521,398</u>	<u>334,175,125</u>	<u>317,521,398</u>

28 OVERDRAFT

	<u>Average Interest rate</u>				
<u>Secured bank term</u>					
KCB Bank Tanzania Limited – US\$	9.00%	456,805	382,989	456,805	382,989
KCB Bank Tanzania Stanbic Bank Tanzania Limited –TZS	16.00%	1,621,775	1,635,328		1,635,328
	9.50%	3,128,037	4,807,250	3,128,037	4,807,250
		<u>5,206,617</u>	<u>6,825,567</u>	<u>5,206,617</u>	<u>6,825,567</u>

KCB Bank Tanzania Limited: Overdraft

The overdrafts are secured by Chattels Mortgage over:

- Debenture over floating assets; and
- Assignment over monthly IATA Billing and Settlement Plan (BSP) receivables.

During financial year ended 31 March 2018, an Overdraft of US\$ 800,000 was converted to a term loan and US\$ 675,935 was the amount of outstanding KCB term loan as at year end.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

28 OVERDRAFT (CONTINUED)

Stanbic Bank Tanzania Limited: Overdraft

This was a loan converted to overdraft in the financial year 2015/16. The loan was granted to support the working capital of the Company.

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; and
- One aircraft with registration no. 5H-PAG is mortgaged against banking facilities secured from Stanbic Tanzania.

29 TRADE AND OTHER PAYABLES

	<u>Group</u> <u>31 Dec 2018</u> TZS '000	<u>Group</u> <u>31 Mar 2018</u> TZS '000	<u>Company</u> <u>31 Dec 2018</u> TZS '000	<u>Company</u> <u>31 Mar 2018</u> TZS '000
Trade payables - third parties	23,238,761	16,962,064	23,238,761	16,962,064
Trade payables - related parties (Note 30)	5,832,408	6,681,176	5,832,408	6,681,176
Advances from customers	622,852	1,507,203	622,852	1,507,203
Statutory liabilities	68,142,126	76,982,430	68,142,126	76,982,430
Other accruals	2,760,914	3,817,438	2,760,914	3,817,438
	<u>100,597,061</u>	<u>105,950,311</u>	<u>100,597,061</u>	<u>105,950,311</u>

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

		<u>Group</u> <u>31 Dec 2018</u> TZS '000	<u>Group</u> <u>31 Mar 2018</u> TZS '000	<u>Company</u> <u>31 Dec 2018</u> TZS '000	<u>Company</u> <u>31 Mar 2018</u> TZS '000
United States Dollars	USD	19,348,964	16,884,666	19,348,964	16,884,666
Euro	EURO	998,875	553,621	998,875	553,621
Great Britain Pound	GBP	63,636	235,011	63,636	235,011
South African Rand	ZAR	28,801	59,852	28,801	59,852
Kenya Shillings	KES	7,130	159,984	7,130	159,984
		<u>20,447,406</u>	<u>17,893,134</u>	<u>20,447,406</u>	<u>17,893,134</u>

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

30 RELATED PARTY DISCLOSURES

	Group	Group	Company	Company
a) Key management remuneration	31 Dec 2018	31 Mar 2018	31 Dec 2018	31 Mar 2018
	TZS '000	TZS '000	TZS '000	TZS '000
Salaries and other short-term benefits	1,845,362	2,163,650	1,845,362	2,163,650
Pension	184,536	216,365	184,536	216,365
	<u>2,029,898</u>	<u>2,380,015</u>	<u>2,029,898</u>	<u>2,380,015</u>
b) Directors' remuneration*				
Salaries and other short-term benefits for Chairman	292,144	381,833	292,144	381,833
	<u>292,144</u>	<u>381,833</u>	<u>292,144</u>	<u>381,833</u>
Sitting allowances paid:				
Mr Michael Shirima	4,677	1,530	4,677	1,530
Mr Vincent N. Shirima	6,236	5,353	6,236	5,353
Mr. Avelyne Msaki	6,236	4,589	6,236	4,589
Ms. Hellen Mwariri	6,236	-	6,236	-
Mr. Vincent Coste	1,559	-	1,559	-
Mr Sebastian Mikosz	3,118	2,295	3,118	2,295
Mr. Abdulrahman Kinana	1,559	-	1,559	-
Mr. Julius Thairu	1,559	-	1,559	-
Ms. Elizabeth Minde	-	4,589	-	4,589
Mr. Ron Schipper	-	3,059	-	3,059
Mr. Mbuvi Ngunze	-	1,530	-	1,530
	<u>31,180</u>	<u>22,945</u>	<u>31,180</u>	<u>22,945</u>
c) Purchase transactions				
Kenya Airways Limited	11,653,160	15,369,090	11,653,160	15,369,090
Ngaleku Children's Home Contribution	81	513	81	513
	<u>11,653,241</u>	<u>15,369,603</u>	<u>11,653,241</u>	<u>15,369,603</u>
d) Sales transactions				
Kenya Airways Limited	39,691,982	39,684,938	39,691,982	39,684,938
	<u>39,691,982</u>	<u>39,684,938</u>	<u>39,691,982</u>	<u>39,684,938</u>
e) Amounts due from related parties				
<u>Precision Handling Limited</u>				
Gross amount	-	-	-	2,755,453
Less allowance for impairment	-	-	-	(2,755,453)
Net receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

30 RELATED PARTY DISCLOSURES (CONTINUED)

f) Amount due to related parties

	Group	Group	Company	Company
	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Ngaleku Children's Home Contribution (*)	108	27	108	27
Precise Systems Limited	-	17,826	-	17,826
Kenya Airways Limited (**)	<u>5,832,300</u>	<u>6,663,323</u>	<u>5,832,300</u>	<u>6,663,323</u>
	<u>5,832,408</u>	<u>6,681,176</u>	<u>5,832,408</u>	<u>6,681,176</u>

(*) Ngaleku Children's Home Contribution is a related party by virtue of the Board Chairman being a Trustee.

(**) Kenya Airways Limited owns 41.23 % of the ordinary shares of Precision Air Services Limited. As is common throughout the airline industry, Precision Air Services Limited 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.

Interests in subsidiaries are set out in Note 16 to the financial statements.

Outstanding balances at the period-end are unsecured, interest free and settlement occurs in cash. There has been no guarantee provided or received for any related party receivable or payables.

31 LEASE COMMITMENTS

The Group leases a number of office facilities, warehouses and a hangar under operating leases. The leases typically run for a period of 1 to 10 years, with an option to renew the lease after that date. Lease payments are renegotiated to reflect market rentals where there are any significant changes in the market. See accounting policy note 6 (e).

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows.

	Group	Group	Company	Company
	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Within one year	384,189	1,290,041	384,189	1,290,041
One to five years	1,003,912	997,471	1,003,912	997,471
More than five years	<u>598,482</u>	<u>797,977</u>	<u>598,482</u>	<u>797,977</u>
	<u>1,986,583</u>	<u>3,085,489</u>	<u>1,986,583</u>	<u>3,085,489</u>

Amount recognised as lease expense for the period ended 31 December 2018 is TZS 1.1 billion (31 March 2018 TZS 1.5 billion).

32 CAPITAL COMMITMENTS

The Group has no capital commitments as at period end. (31 March 2018: Nil).

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

33 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.

As disclosed in Note 9, the majority of revenue is derived from passenger revenue (from which fuel surcharge is derived) 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.

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 for allocating such assets and related liabilities to operating segments. Since aircraft fleet is deployed flexibly across the Group route network, providing information on non-current assets by geographical and business segments is not considered meaningful.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

33 SEGMENT INFORMATION (CONTINUED)

	Group			Company		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
9-month period ended 31 December 2018						
Passengers	47,994,960	25,381,510	73,376,470	47,994,960	25,381,510	73,376,470
Cargo	80,681	167,522	248,203	80,681	167,522	248,203
Mail services	51,004	-	51,004	51,004	-	51,004
Excess baggage	210,247	144,095	354,342	210,247	144,095	354,342
Cancellation income	426,165	-	426,165	426,165	-	426,165
No show fees	843,900	-	843,900	843,900	-	843,900
Fuel surcharge	17,971,276	198,211	18,169,487	17,971,276	198,211	18,169,487
Passenger Interline	-	316,902	316,902	-	316,902	316,902
Passenger tickets writeback	3,089,327	1,049,833	4,139,160	3,089,327	1,049,833	4,139,160
	70,667,560	27,258,073	97,925,633	70,667,560	27,258,073	97,925,633
12-month period ended 31 March 2018						
Passengers	66,053,312	31,055,068	97,108,380	66,053,312	31,055,068	97,108,380
Cargo	110,892	195,388	306,280	110,892	195,388	306,280
Mail services	65,472	-	65,472	65,472	-	65,472
Excess baggage	290,104	124,254	414,358	290,104	124,254	414,358
Cancellation income	447,882	-	447,882	447,882	-	447,882
No show fees	1,258,842	-	1,258,842	1,258,842	-	1,258,842
Fuel surcharge	25,061,110	198,211	25,259,321	25,061,110	198,211	25,259,321
Passenger Interline	-	128,610	128,610	-	128,610	128,610
Passenger tickets writeback	10,540,274	3,581,856	14,122,130	10,540,274	3,581,856	14,122,130
	103,827,888	35,283,387	139,111,275	103,827,888	35,283,387	139,111,275

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

34 CONTINGENCIES

As at 31 December 2018 there were ongoing litigations and claims against the Company amounting to TZS 2 billion. Majority of these cases pertain to labour cases that are under mediation between former employees and the Company. Subsequent to year end to the date of these financial statements, cases amounting to TZS 1.5 billion were dismissed. As at the date of approval of these financial statements, open cases amounted to TZS 540 million. Management has assessed the remaining open cases and concluded that the probability of winning is high. Accordingly, there has been no provisions made in the financial statements to cater for these liabilities

35 EMPLOYEES

Number of employees for the Group at the end of the period was 396 (31 March 2018: 364).

36 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 period.

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.

	<u>31 Dec 2018</u>	<u>31 Mar 2018</u>
Group		
Loss for the period/year (TZS'000)	(37,080,278)	(21,545,586)
Number of shares ('000')	160,473	160,473
Earnings Per Share (TZS)	(231.07)	(134.26)
Company		
Loss for the period/year (TZS'000)	(36,930,742)	(21,406,454)
Number of shares ('000')	160,473	160,473
Earnings Per Share (TZS)	(230.14)	(133.40)

37 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. While the overall responsibility of capital management rests with the board of Directors, the day to day capital management is delegated to the management committee.

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 9-month period ended 31 December 2018 and the year ended 31 March 2018.

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.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

37 CAPITAL MANAGEMENT (CONTINUED)

The Group does not have a target debt ratio.

	Group <u>31 Dec 2018</u> TZS'000	Group <u>31 Mar 2018</u> TZS'000	Company <u>31 Dec 2018</u> TZS'000	Company <u>31 Mar 2018</u> TZS'000
Borrowings	(334,175,125)	(317,521,398)	(334,175,125)	(317,521,398)
Overdraft	(5,206,617)	(6,825,567)	(5,206,617)	(6,825,567)
Trade and other payables	(100,597,061)	(105,950,311)	(100,597,061)	(105,950,311)
Cash and bank balances	<u>1,306,236</u>	<u>604,937</u>	<u>1,306,236</u>	<u>604,937</u>
Net debt	(438,672,567)	(429,692,339)	(438,672,567)	(429,692,339)
Equity	<u>307,209,383</u>	<u>270,129,105</u>	<u>307,839,736</u>	<u>270,908,994</u>
Capital and net debt	<u>(131,463,184)</u>	<u>(159,563,234)</u>	<u>(130,832,831)</u>	<u>(158,783,345)</u>
Net debt ratio	<u>(1.43)</u>	<u>(1.59)</u>	<u>(1.43)</u>	<u>(1.59)</u>

Externally imposed capital requirements

Other than the securities pledged for borrowings (Note 27), requirements imposed by lenders include:

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

38 FAIR VALUE DISCLOSURES

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters are: LIBOR yield curve, Bloomberg and Reuters.
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

38 FAIR VALUE DISCLOSURES (CONTINUED)

The Group and Company did not have at the reporting date any financial assets and liabilities measured at fair value. The table below analyses the fair value hierarchy of the Group and Company's financial assets and liabilities not measured at fair value at 31 December 2018.

<u>Group</u>	<u>Fair values</u>		<u>Carrying amount</u>	
	<u>31 Dec 2018</u> TZS'000	<u>31 Mar 2018</u> TZS'000	<u>31 Dec 2018</u> TZS'000	<u>31 Mar 2018</u> TZS'000
<u>Financial assets</u>				
Trade and other receivables	5,024,691	8,988,333	5,024,691	8,988,333
Cash and cash equivalents	1,306,233	604,937	1,306,233	604,937
<u>Financial liabilities</u>				
Borrowings	334,175,125	317,521,398	334,175,125	317,521,398
Overdraft	5,206,617	6,825,567	5,206,617	6,825,567
Trade and other payables	31,832,083	27,460,678	31,832,083	27,460,678
<u>Company</u>				
<u>Financial assets</u>				
Trade and other receivables	5,024,691	8,988,333	5,024,691	8,988,333
Cash and cash equivalents	1,306,233	604,937	1,306,233	604,937
<u>Financial liabilities</u>				
Borrowings	334,175,125	317,521,398	334,175,125	317,521,398
Overdraft	5,206,617	6,825,567	5,206,617	6,825,567
Trade and other payables	31,832,083	27,460,678	31,832,083	27,460,678

Receivables, cash and short-term deposits, and payables are held at amortised cost. Their carrying amounts approximate their fair values due to their short-term maturities.

For the borrowings repayable on demand (classified as current liabilities owing to breach of the terms of the borrowing agreements), the carrying value approximate the fair value.

The carrying amounts of bank overdrafts approximate their fair values due to their short-term maturities. The carrying amounts of term loans other than those for Citibank, Finfund and EDC are deemed to approximate their fair values due to materiality of the amounts involved.

39 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform to the presentation adopted in these financial statements, the effects of which are considered immaterial.

40 SUBSEQUENT EVENTS

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organization, and most governments are currently taking restrictive measures to contain its further spread affecting free movement of people and goods. Currently the spread of COVID-19 has resulted in a material uncertainty on the entity's ability to continue as a going concern.

The effect of COVID-19 has been detailed in Note 3(c) of these financial statements.