PRECISION AIR SERVICES PLC

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

31 MARCH 2014

PRECISION AIR SERVICES PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 MARCH 14

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PRECISION AIR SERVICES PLC

GROUP INFORMATION
31 MARCH 2014

PRINCIPAL PLACE OF BUSINESS:	QUALITY PLAZA NYERERE ROAD P. O. BOX 70770 DAR ES SALAAM
REGISTERED OFFICE:	NEW SAFARI HOTEL BOMA ROAD P. O. BOX 1636 ARUSHA
BANKERS:	CRDB BANK LIMITED P. O. BOX 3150 ARUSHA
	STANBIC BANK P. O. BOX 3062 ARUSHA
	KENYA COMMERCIAL BANK (T) LIMITED P. O. BOX 804 DAR ES SALAAM
	NBC BANK 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
GROUP SECRETARY:	ELIAS MWASHIUYA/WINFRED KOMBA P. O. BOX 70770 DAR ES SALAAM
GROUP AUDITORS:	ERNST & YOUNG CERTIFIED PUBLIC ACCOUNTANTS UTALII HOUSE P. O. BOX 2475 DAR ES SALAAM

PRECISION AIR SERVICES PLC

HIGHLIGHTS OF THE YEAR
31 MARCH 2014

FINANCIAL HIGHLIGHTS

	Company	Company
	31-Mar-14	31-Mar-13
	TZS '000	TZS '000
Revenue		
Passenger	104,484,175	138,604,685
Freight & Mail	1,455,715	2,984,856
Fuel Surcharge	29,784,743	34,794,219
Total	135,724,633	176,383,760
Direct expenditure	97,114,409	145,225,865
Gross profit	38,610,224	31,157,895
Gross profit margin %	28%	18%
Other income	1,356,446	1,494,652
Indirect expenditure	(36,342,224)	(42,856,142)
Impairment of receivables	(460,562)	(8,601,691)
Finance charges	(10,449,800)	(8,170,242)
Foreign exchange loss	(4,713,214)	(4,407,177)
Loss before tax	(11,999,130)	(31,382,705)
Income tax (charge) /credit	(411,072)	955,246
Lossfor the year	(12,410,202)	(30,427,459)

OPERATING STATISTICS

	31-Mar-14	31-Mar-13
Passengers	687,981	895,654
Revenue Passenger per Kilometre (RPK's) ('000)	332,586	493,815
Available Seats per Kilometre (ASK's) ('000)	508,063	802,534
Passenger Load factor	65%	62%
Yield per RPK - USc	19.49	17.56
Employees	588	717
ASK's per employee - '000	864	1,119
Revenue per employee - US$'000	143	154
Loss per employee - US$'000	(13.09)	(26.56)
Block hours	21,892	24,141
Aircrafts in service at year end		
ATR 72 - 500	5	5
ATR 42 - 600	2	2
ATR 42 - 500	2	2
ATR 42 - 320	1	1
B733 - 300	-	2
Total numbers of aircraft	10	12

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2014

1. INTRODUCTION

The Directors present their report and the audited consolidated and separate financial statements for the financial year ended 31 March 2014 which disclose the consolidated and separate state of affairs of Precision Air Services Plc.

The consolidated and separate financial statements for the year ended 31 March 2014 were approved and authorised for issue by directors as indicated on the consolidated and separate statements of financial position.

2. INCORPORATION AND REGISTRATION

The Company and its subsidiaries are incorporated in Tanzania.

3. GROUP'S VISION

''To be the airline of choice''

4. GROUP'S MISSION

''To develop and provide superior air transport services that exceeds customer expectations''.

5. PRINCIPAL ACTIVITIES

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

The Company flies to eleven (11) destinations within Tanzania and the region. At year-end, the Company had ten (10) aircraft in operation, all (10) owned. During the year, the Company returned the two (2) leased Jet engines Aircraft that were in operation as among the measures in cost reduction strategy.

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

6. PERFORMANCE FOR THE YEAR

Capacity Offered to Market
The Available Seats per Kilometre (ASK) released to the market amounted to 508 Million against a prior year level of 802 Million thus a drop of 37% compared to prior year.

6. PERFORMANCE FOR THE YEAR (Continued)

Capacity Utilised
Total passengers carried in the network during the financial year amounted to 687,981 compared to a prior year level of 895,654 thus a drop of 23% compared to prior. The shortfall on previous year is largely due to the withdrawal of the Boeing fleet as well as the suspension of a number of routes which accounted for a significant portion of ASKs offered in the prior year.

The Revenue Passenger per Kilometre (RPK) achieved from the market amounted to 332 million against prior year level of 493 million; thus a drop of 33% compared to prior year. The significant deficit on previous year on the other hand is attributable to the suspension of a number of regional routes which constituted a significant portion of the network's ASKs in the prior year.

Yields
Yield achieved on passenger revenue during the financial year was Yield per RPK of 19.49 US Cents (USc) compared to a prior year level of USc 17.56.

Profitability
Whereas the Company incurred a loss of TZS 12.41billion during the year (2013: TZS 30.43billion); the Group incurred a loss of TZS 12.06 billion (2013: TZS 30.15 billion).

The significant reduction in operating loss has been primarily attributed to review of the network to eliminate inefficient routes, return of the inefficient leased jet aircrafts, operational and structural rationalization, aggressive cost control and optimization of ancillary revenues opportunities.

Detailed financial highlights are on page 2 and the results of the Group and Company for the year are set out on page 17.

7. FUTURE DEVELOPMENTS AND PLANS

The group will continue to focus on improving profitability and liquidity by increasing revenues and maintaining our costs at reasonable levels. The group will focus on the following;

- using the help of a consultant to overhaul the entire network and work on HUB and SPOKE strategy so as to maximize on the feed and de-feed in Dar es Salaam and Nairobi HUBS. This will open up opportunities to get extra passengers on board in our flights and thus make additional revenues on existing fleets.
- review the existing skill levels of our staffs and either upgrade it through coaching and training; or recruitment of the right people in the right places.
- tight and continuous focus on cost control across all functional areas.
- increase our partnership portfolio and sign up more Side Partnership Arrangements (SPA's), code shares and joint ventures (JV's) thus increase our passenger revenues numbers.
- finalise and conclude on partnership arrangements in Ground handling and maintenance so as to generate additional revenues alongside other ancillary revenue opportunities.

7. FUTURE DEVELOPMENTS AND PLANS (Continued)

The Company continues to monitor closely the competitive environment, impact of increased competition through the entry of new players in the market, jet fuel prices, and performance of Tanzania Shilling against major currencies and recognises these as amongst the main challenges the Group will face during 2015.

8. STOCK EXCHANGE INFORMATION

During the year, there was minimal fluctuation in the Company's share price. At the close of the financial year the share was trading at the Dar es Salaam Stock exchange at TZS 460 per share, compared to TZS 475 per share at the end of the prior financial year.

9. DIVIDENDS

The Directors do not recommend payment of dividend (2013: Nil).

10. SUBSEQUENT EVENTS

There are no subsequent events that have occurred which are either to be disclosed or to be adjusted for in the consolidated and separate financial statements that could materially affect the consolidated and separate financial statements.

11. SOLVENCY AND GOING CONCERN EVALUATION

The Group's state of affairs is set out on page 18 of the consolidated and separate financial statements.

The Group incurred a net loss of TZS 12.06 billion for the year ended 31 March 2014 (31 March 2013: TZS 30.15 billion) and, as at that date, the Group's current liabilities exceeded its current assets by TZS 99.76 billion (31 March 2013: TZS 85.71 billion). The Group was also in a net liability position of TZS 23.12 billion as at that date (31 March 2013: TZS 11.07 billion).

Furthermore, the Company incurred a net loss of TZS 12.41 billion for the year ended 31 March 2014 (31 March 2013: TZS 30.43 billion) and, as at that date, the Company's current liabilities exceeded its current assets by TZS 97.38 billion (31 March 2013: TZS 83.14 billion). The Company was also in a net liability position of TZS 22.76 billion as at that date (31 March 2013: TZS 10.35 billion).

It is worthy of note that the net loss has reduced significantly over the last one year (by over 60%). More significantly, the cash and cash equivalent balances have improved over the last financial year by TZS 6.83 billion (TZS 6.86 billion for the Company).

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

11. SOLVENCY AND GOING CONCERN EVALUATION (Continued)

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

Management have reviewed these considerations and the results of this assessment have been documented and presented to the directors and major lenders for their consideration as set forth in Note 2.1 to the financial statements.

Subject to the comments and the conclusions made in note 2.1 to the consolidated and separate financial statements on going concern, the directors strongly believe that the Company will remain a going concern for at least twelve months from the date of this report.

12. RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in note 27 to the consolidated and separate financial statements.

13. CAPITAL STRUCTURE

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

Authorised Share Capital
242,000,000 ordinary shares of TZS 20 each (2013: 242,000,000 ordinary shares of TZS 20 each.

Called up and fully paid share capital
160,469,800 ordinary shares of TZS 20 each (2013: 160,469,800 ordinary shares of TZS 20 each).

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

Long Term Loans
The Group is financed by long-term loans amounting to TZS 202 billion as at year end (2013: TZS 201 billion). For more details, refer to Note 25 to the consolidated and separate financial statements.

14. SHAREHOLDING

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

Name	2014 No. Of shares	2014 % Shareholding	2013 No. Of shares	2013 % Shareholding
Michael N. Shirima	68,857,650	42.91	68,857,650	42.91
Kenya Airways Limited	66,157,350	41.23	66,157,350	41.23
Public	25,454,800	15.86	25,454,800	15.86
	160,469,800	100.00	160,469,800	100.00

The top ten shareholders as at 31 March 2014 were as follows:

Name of shareholder	No. of shares	% Shares	Type	Nationality
Michael N. Shirima	68,857,650	42.91%	Individual	Tanzanian
Kenya Airways Ltd	66,157,350	41.23%	Corporate	Kenyan
Precision Air Employee Share Option Scheme	1,765,300	1.10%	Corporate	Tanzanian
Damas Dismas Kamani	475,700	0.30%	Individual	Tanzanian
Fahad Saleh Nahdi	421,000	0.26%	Individual	Tanzanian
Shinyanga Emporium (1978) Ltd	400,000	0.25%	Corporate	Tanzanian
Tanzania Standard (News Papers) Ltd	300,000	0.19%	Corporate	Tanzanian
Quality Group Ltd	210,500	0.13%	Corporate	Tanzanian
Raj Chintan Kakkad	200,000	0.12%	Minor	Tanzanian
Shilpa Pratish Kakkad	200,000	0.12%	Individual	Tanzanian
Chintan Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Dhiraj Chintan Kakkad	200,000	0.12%	Individual	Tanzanian
Pratish Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Than Investments Ltd	200,000	0.12%	Corporate	Tanzanian
NICOL (T) Ltd	200,000	0.12%	Corporate	Tanzanian
Others	20,482,300	12.76%		
	160,469,800	100.00%		

15. COMPOSITION OF THE BOARD OF DIRECTORS

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

Name	Title	Age	Nationality	Remarks
Mr. Michael N. Shirima	Chairman	70 years	Tanzanian	
Ms Sauda Rajab	Managing Director & CEO	50 years	Kenyan	
Mr. Titus T. Naikuni	Director	60 years	Kenyan	
Mr. Vincent M. Shirima	Director	38 years	Tanzanian	
Mr. Ron Schipher	Director	68 years	Dutch	
Mrs Elizabeth Minde	Director	65 years	Tanzanian	
Mr. Manzi Rwegasira	Director	31 years	Tanzanian	Appointed in October 2013

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

The Group Secretary during the year was Mr. Elias Mwashiuya; Tanzanian 37 years, who retired on 31st December 2013. Mr Mwashiuya was replaced by Mr Winfred Komba; Tanzanian 29 years, with effect from 1st January 2014.

16. DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

As shown in Note 15 above, Mr. Michael N. Shirima holds 42.91% of the Company's issued ordinary share capital.

17. DIRECTORS' EMOLUMENTS

The remuneration for services rendered by the Directors for the Group during the financial year was TZS 390 million (2013: TZS 338 million).

18. ORGANISATION STRUCTURE

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

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

19. KEY MANAGEMENT PERSONNEL OF THE GROUP

The key management personnel who served the Company during the year ended 31 March 2014 were:

Ms Sauda Rajab	-	Group Managing Director & CEO
Charles Ogolla		Finance Director (Resigned 28th June 2013)
Mr Elly Osewe	-	Finance Director (Ag from July 2013 to Nov 2013; Appointed on 1 Dec 2013)
Mr Patrick Ndekana	-	Commercial Director (Resigned in January 2014)
Ms Reynada Sikira	-	Director Human Resources
Mr Gaudenz Kusekwa	-	Director Operations
Mr Gennaro Sicureza	-	Technical Director
Mr Elias Moshi	-	Director Ground Handling
Mr Allen Shara	-	Director Quality and Safety

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

20. ACCOUNTING POLICIES

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

The Company's accounting policies, which are laid out on pages 22 to 40 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

21. INVESTMENTS

Precision Handling Limited was incorporated in Tanzania during the year 2010 and 100 % of its share capital is held by the Company. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a licence to also serve other airlines. The subsidiary's share capital is yet to be allotted and paid in pending obtaining of licence to serve third parties.

Another subsidiary, Precise Systems Limited; was incorporated in Tanzania during the year 2012 and 100 % of its share capital is held by the Company. Precise Systems distributes the Galileo Reservation system to Airlines and Travel Agents in Tanzania.

22. ACQUISITIONS AND DISPOSALS

There was no material disposal or acquisition of business during year 2014 (2013: Nil).

23. POLITICAL AND CHARITABLE DONATIONS

The Group contributed TZS 12.8 Million (2013: TZS 35.6 Million) to the charitable community projects and charitable various organizations. No political donations were made by the Company during the year.

24. EMPLOYEES' WELFARE

Management and Employees' Relationship

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

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

Training Facilities

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

Medical Assistance

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

Financial Assistance to Staff

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

Retirement Benefits

All of the Group employees are members of the National Social Security Fund ("NSSF"), which is a defined contribution plan. The Group and employees both contribute 10% of the employees' gross salaries to the NSSF. The contributions are charged to profit or loss when incurred.

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, washrooms and canteen facilities.

The number of employees in the Group at the end of year totalled 608 as compared to 717 at the end of year 2013.

25. GENDER PARITY

The Group is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 March 2014, the Group had 378 (62%) male and 230 (38%) female employees (2013: 468 (65%) male and 249 (35%) female employees).

26. DISABLED PERSONS

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

27. STATEMENT OF CORPORATE GOVERNANCE

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

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

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

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

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

28. STATEMENT OF CORPORATE GOVERNANCE (Continued)

Internal controls
The Group has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have significant financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the Group remains structured to ensure appropriate segregation of duties.

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

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

Directors' emoluments and loans
The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2014 are disclosed in note 27 of the consolidated and separate financial statements. Neither at the end of the financial year nor at any time during the year was there any arrangement to which the Group is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares. There were no Directors' loans at any time during the year.

27. CORPORATE SOCIAL RESPONSIBILITY

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

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 director's 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.

30. AUDITORS

Ernst & Young were the Group auditors for the year 2014. They have expressed their willingness to continue in office and are eligible for reappointment.

Approved by the board of directors for issue on ....2014 and signed on its behalf by:

Name: Mr. Michael Shirima Title: Chairperson Signature: __________

Name: Ms. Sauda Rajab Title: Managing Director & CEO Signature: _________

STATEMENT OF DIRECTORS RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2014

The Tanzania Companies Act, 2002 requires the Directors to prepare consolidated and separate financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the Group's and Company's operating results for that year. It also requires the Directors to ensure that the Group and the Company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company. They are also responsible for safeguarding the assets of the Group.

The Directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards, Tanzania Financial Reporting Standard on Directors' Report and in the manner required by the Tanzania Companies Act, 2002. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, 2002. The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company and of the Group's operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of internal financial control.

Subject to the comments in the conclusions made in note 2.1 to the consolidated and separate financial statements on going concern, the directors believe that the Company will remain a going concern for at least twelve months from the date of this statement.

Approved by the board of directors for issue and signed on its behalf by

Name: Michael N. Shirima Title: Chairman of the Board Signature: _______________

Name: Sauda Rajabu Title: Group MD & CEO Signature: __________________

Date: ______________2014

INDEPENDENT AUDITORS' REPORT
To the Shareholders of
PRECISION AIR SERVICES PLC

Report on the consolidated and separate financial statements

We have audited the consolidated and separate financial statements of Precision Air Services Plc set out on pages 17 to 60, which comprise the consolidated and separate statements of financial position as at 31 March 2014, 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 year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibilities for the consolidated and separate financial statements
The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

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

Opinion
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Precision Air Services Plc as at 31 March 2014, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Tanzanian Companies Act, 2002.

INDEPENDENT AUDITORS' REPORT (Continued)
To the Shareholders of
PRECISION AIR SERVICES PLC

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2.1 to the consolidated and separate financial statements which indicates that the Group incurred a net loss of TZS 12.06 billion for the year ended 31 March 2014 (31 March 2013: TZS 30.15 billion) and, as at that date, the Group's current liabilities exceeded its current assets by TZS 99.76 billion (31 March 2013: TZS 85.71 billion). The Group was also in a net liability position of TZS 23.12 billion as at that date (31 March 2013: TZS 11.07 billion). In addition, the Company incurred a net loss of TZS 12.41 billion for the year ended 31 March 2013 (31 March 2013: TZS 30.43 billion and, as at that date, the Company's current liabilities exceeded its current assets by TZS 97.38 billion (31 March 2013: TZS 83.14 billion). The Company was also in a net liability position of TZS 22.76 billion as at that date (31 March 2013: TZS 10.35 billion). These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Group's members as a body in accordance with the Tanzanian Companies Act, 2002 and for no other purposes.

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

i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
iii. The Directors Report is consistent with the consolidated and separate financial statements,
iv. Information specified by law regarding directors remuneration and transactions with the Group is disclosed; and,
v. The Group's and Company's statements of financial position, statements of profit or loss and other comprehensive income are in agreement with the books of account.

The Company has not complied with statutory requirements for remittance of statutory deductions and indirect taxes to relevant authorities. The outstanding amount as at year end was TZS 25.28 billion (2013: TZS 19.24 billion).

Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure – Mssusa (Partner)

Date__________________2014

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
Revenue	8	141,262,002	181,357,954	135,724,633	176,383,760
Cost of sales	9	(99,628,538)	(147,913,072)	(97,114,409)	(145,225,865)
Gross Profit		41,633,464	33,444,882	38,610,224	31,157,895
Other income	10	1,356,446	1,494,652	1,356,446	1,494,652
Marketing expenses	11	(1,711,118)	(2,168,938)	(1,654,065)	(2,144,584)
Impairment of receivables	20	(460,562)	(8,601,691)	(460,562)	(8,601,691)
Administrative expenses	12	(37,207,115)	(42,217,029)	(34,688,159)	(40,711,558)
		(38,022,349)	(51,493,006)	(35,446,340)	(49,963,181)
Operating profit /(loss)		3,611,115	(18,048,124)	3,163,884	(18,805,286)
Finance costs	13	(10,455,200)	(8,172,169)	(10,449,800)	(8,170,242)
Loss before loss on foreign currency and tax		(6,844,085)	(26,220,293)	(7,285,916)	(26,975,528)
Loss on foreign currency exchange	14	(4,555,748)	(4,591,848)	(4,713,214)	(4,407,177)
Loss before tax		(11,399,833)	(30,812,141)	(11,999,130)	(31,382,705)
Income tax credit/(expense)	23(b)	(658,423)	663,756	(411,072)	955,246
Other comprehensive income		-	-	-	-
Total comprehensive income		(12,058,256)	(30,148,385)	(12,410,202)	(30,427,459)
Loss for the year attributable to the owners of the Parent		(12,058,256)	(30,148,385)	(12,410,202)	(30,427,459)
Earning per share - Basic and Diluted (TZS)	33	(75.14)	(187.88)	(77.34)	(189.61)

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Notes	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
ASSETS					
Non-current assets					
Property and equipment	15	223,695,694	242,099,943	221,816,056	240,144,682
Intangible assets	16	351,698	191,601	110,747	191,601
Investment in subsidiaries	17	-	-	80,419	80,419
Other non-current financial assets	18	5,900	5,699	5,900	5,699
		224,053,292	242,297,243	222,013,122	240,422,401
Current assets					
Inventories	19	6,803,787	8,621,621	6,803,787	8,621,621
Trade and other receivables	20	20,368,932	17,865,092	22,402,204	19,663,236
Prepayments	21	1,548,045	1,188,721	488,514	1,188,721
Other current financial assets	18	1,622,580	1,886,936	1,622,580	1,886,936
Cash and short-term deposits	22	7,169,375	3,699,167	7,080,885	3,584,824
		37,512,719	33,261,537	38,397,970	34,945,338
TOTAL ASSETS		261,566,011	275,558,780	260,411,092	275,367,739
EQUITY AND LIABILITIES					
Equity					
Issued capital	24	3,209,396	3,209,396	3,209,396	3,209,396
Share premium	24	10,490,987	10,490,987	10,490,987	10,490,987
Revaluation reserves	24	7,265,561	7,265,561	7,265,561	7,265,561
Cashflow hedging reserve	35	(17,752,445)	(17,752,445)	(17,752,445)	(17,752,445)
Accumulated losses		(26,338,160)	(14,279,904)	(25,974,287)	(13,564,085)
		(23,124,661)	(11,066,405)	(22,760,788)	(10,350,586)
Non-current liabilities					
Interest bearing loans and borrowings	25	147,393,584	167,631,465	147,393,584	167,631,465
Deferred tax liability	23(c)	24,190	17,897	-	-
		147,417,774	167,649,362	147,393,584	167,631,465
Current liabilities					
Interest bearing loans and borrowings	25	63,483,891	45,511,942	63,483,891	45,511,942
Trade and other payables	26	72,241,078	71,989,190	70,982,235	71,373,820
Tax payable	23(a)	1,547,929	1,474,691	1,312,170	1,201,098
		137,272,898	118,975,823	135,778,296	118,086,860
TOTAL EQUITY AND LIABILITIES		261,566,011	275,558,780	260,411,092	275,367,739

The consolidated and separate financial statements were approved by the board of directors and authorised for

issue on ____________________________ and were signed on its behalf by:

Name: ____________________ Title: ____________________ Signature: ___________________

Name: ____________________ Title: ____________________ Signature: ___________________

PRECISION AIR SERVICES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Note 24 Issued capital	Note 24 Share premium	Note 24 Revaluation reserve	Note 35 Cash flow hedging reserve	(Accumulated losses) / Retained earnings	Total equity
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Group						
At 1 April 2013	3,209,396	10,490,987	7,265,561	(17,752,445)	(14,279,904)	(11,066,405)
Loss for the year	-	-	-	-	(12,058,256)	(12,058,256)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(12,058,256)	(12,058,256)
At 31 March 2014	3,209,396	10,490,987	7,265,561	(17,752,445)	(26,338,160)	(23,124,661)
Group						
At 1 April 2012	3,209,396	10,490,987	8,438,348	(17,752,445)	14,695,694	19,081,980
Disposal	-	-	(1,172,787)	-	1,172,787	-
Loss for the year	-	-	-	-	(30,148,385)	(30,148,385)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(30,148,385)	(30,148,385)
At 31 March 2013	3,209,396	10,490,987	7,265,561	(17,752,445)	(14,279,904)	(11,066,405)

SEPARATE STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

	Note 24 Issued capital	Note 24 Share premium	Note 24 Revaluation reserve	Note 35 Cash flow hedging reserve	(Accumulated losses) / Retained earnings	Total equity
Company						
At 1 April 2013	3,209,396	10,490,987	7,265,561	(17,752,445)	(13,564,085)	(10,350,586)
Loss for the year	-	-	-	-	(12,410,202)	(12,410,202)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(12,410,202)	(12,410,202)
At 31 March 2014	3,209,396	10,490,987	7,265,561	(17,752,445)	(25,974,287)	(22,760,788)
Company						
At 1 April 2012	3,209,396	10,490,987	8,438,348	(17,752,445)	15,690,587	20,076,873
Disposal	-	-	(1,172,787)	-	1,172,787	-
Loss for the year	-	-	-	-	(30,427,459)	(30,427,459)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(30,427,459)	(30,427,459)
At 31 March 2013	3,209,396	10,490,987	7,265,561	(17,752,445)	(13,564,085)	(10,350,586)

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Note	Group 31-Mar-14 TZS '000	Group 31-Mar-13	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
Operating activities					
Loss before tax		(11,399,833)	(30,812,141)	(11,999,130)	(31,382,705)
Non-cash adjustment to reconcile profit before tax to net cash flows					
Depreciation of property and equipment	15	20,230,374	18,493,010	19,698,750	18,158,099
Loss /(Profit) on disposal of property and equipment		3,500	(316,975)	3,500	(316,975)
Amortisation of intangible assets	16	80,854	91,510	80,854	91,510
Interest on debts and borrowings	13	10,455,200	8,172,169	10,449,800	8,170,242
Impairment of receivables	20	460,562	8,601,691	460,562	8,601,691
Working capital adjustments:					
Decrease /(Increase) in inventories		1,817,834	(435,244)	1,817,834	(435,244)
Increase in trade and other receivables		(2,964,402)	(11,781,021)	(3,199,530)	(11,219,984)
Decrease /(Increase) in prepayments		(359,324)	(629,570)	700,207	(629,570)
Increase /(Decrease) in trade and other payables		251,888	33,321,384	(391,585)	32,706,014
		18,576,653	24,704,813	17,621,262	23,743,078
Income tax paid	23(a)	(578,892)	-	(300,000)	-
Net cash flows from operating activities		17,997,761	24,704,813	17,321,262	23,743,078
Investing activities					
Acquisition of computer software	16	(240,951)	(21,108)	-	(21,108)
Investment in subsidiaries	17	-	-	-	(80,419)
Aircraft security deposit refunded	18	264,155	8,546,407	264,155	8,546,407
Proceeds from sale of property and equipment		8,000	3,630,400	8,000	3,630,400
Purchase of property and equipment	15	(1,837,625)	(63,237,763)	(1,381,624)	(62,516,780)
Net cash flows used in investing activities		(1,806,421)	(51,082,064)	(1,109,469)	(50,441,500)
Financing activities					
Proceeds from borrowings	25	1,030,087	49,564,543	1,030,087	49,564,543
Repayment of borrowings	25	(5,340,764)	(20,240,753)	(5,340,764)	(20,035,852)
Interest capitalised		423,151	-	423,151	-
Interest paid		(5,472,203)	(7,905,523)	(5,466,803)	(8,170,242)
Net cash flows (used in) /from financing activities		(9,359,729)	21,418,267	(9,354,329)	21,358,449
Net increase /(decrease) in cash and cash equivalents		6,831,611	(4,958,984)	6,857,464	(5,339,973)
Net realised foreign currency exchange difference		-	(2)	-	(2)
Cash and cash equivalents at beginning of the year	22	(8,505,891)	(3,546,905)	(8,620,234)	(3,546,905)
Cash and cash equivalents at year end	22	(1,674,280)	(8,505,891)	(1,762,770)	(8,620,234)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1 CORPORATE INFORMATION

The consolidated and separate financial statements of the Group and Company for the year ended 31 March 2014 were authorised for issue as shown in the consolidated and separate statement of financial position. These consolidated and separate financial statements can be amended by owners and regulatory bodies if the consolidated and separate financial statements are found to be misleading after they have been issued to the public.

The Company is incorporated in Tanzania under the Companies Act, 2002 as a limited liability Company and it is domiciled in Tanzania. The Company's shares are publicly traded at the Dar es Salaam Stock exchange. The wholly owned subsidiaries, Precision Handling Limited and Precise Systems Limited were incorporated in Tanzania during the year 2010 and 2012 respectively and 100 % of their share capital is held by the Company.

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

Incorporation

The Company and its Subsidiaries are domiciled and incorporated in Tanzania under the Tanzanian Companies Act, 2002.

Principal activities

The principal activities of the Company are regional and domestic carriage of passengers and cargo by air. Whereas the principal activities of the subsidiary; Precision Handling Limited is provisioning of ground handling services; those of the other subsidiary ,Precise Systems Limited are to provide computerized reservation system to airlines and travel agents.

2 BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared on a historical cost basis except for financial instruments and certain items of property, plant and equipment that have been measured at fair value.

The consolidated and separate financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest thousand (TZS '000') except when otherwise indicated.

2.1 Going concern basis of preparation

The accompanying consolidated and separate financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Group and the Company will continue in operation for at least one year from the date of the audit report and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several conditions and events cast doubt about the Group's and Company's ability to continue as a "going concern". The Group incurred a net loss of TZS 12.06 billion for the year ended 31 March 2014 (31 March 2013: TZS 30.15 billion) and, as at that date, the Group's current liabilities exceeded its current assets by TZS 99.76 billion (31 March 2013: TZS 85.71billion). The Group was also in a net liability position of TZS 23.12 billion as at that date (31 March 2013: TZS 11.07 billion).

2 BASIS OF PREPARATION (Continued)

2.1 Going concern basis of preparation (Continued)

Furthermore, the Company incurred a net loss of TZS 12,410 million for the year ended 31 March 2014 (31 March 2013: TZS 30,428 million) and, as at that date, the Company's current liabilities exceeded its current assets by TZS 79.10 billion (31 March 20123: TZS 83.14 billion). The Company was also in a net liability position of TZS 22.76 billion as at that date (31 March 2013: TZS 10.35 billion).

It is worth noting that the net loss has reduced significantly over the last one year (by over 60%). Furthermore the cash and cash equivalent balances have improved over the last financial year by TZS 6.83 billion (TZS 6.86 for the Company).

The Company continues to face working capital challenges to support its working capital requirements and to honour, in time, repayment of maturing loan obligations. Furthermore, the Company has some delayed remittance of statutory deductions and indirect taxes to relevant authorities arising from previous years.

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

These conditions are primarily due to the existence of the interest bearing loans and borrowings undertaken to finance both the fleet modernization and expansion programs. These programs were financed by Citibank, Finnish Fund for Industrial Development and Export Development Canada. Due to the high value nature of aircrafts, the financing for the acquisition of 9 aircraft has resulted in heavy gearing of the Company and Group.

The directors takes note of the fact that continued operating losses, net current liabilities position, maturing debt and cash flow constraints represent a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the Company remaining as a going concern over the next 12 months, the directors have considered all pertinent facts

The directors have concluded that the operating losses, net current liabilities position, maturing debt and cash flow constraints represent a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the Company remaining as a going concern over the next 12 months, the directors have considered all pertinent facts.

2 BASIS OF PREPARATION (Continued)

2.1 Going concern basis of preparation (Continued)

Key considerations which directors have taken into account are:

i. A review of the budgetary and forecasting process to ascertain whether appropriate assumptions have been considered in developing the Company's forecasts
ii. Consideration of the timing of the cash flows to reflect the underlying maturity of liabilities and assets
iii. A review of the Company's loan arrangements and borrowing covenants
iv. Consideration of the Company's financial adaptability
v. Review of possible exposures to contingent liabilities
vi. Review of the Company's risk mitigation practices for such risks as interest risk, currency exchange rate risk and other business risks
vii. Improving and tightening credit controls to minimise credit losses
viii. Review of other key considerations relevant to business continuity, such as maintenance of key suppliers and customers, maintenance of key staff, maintenance of a stable labour force, adequacy of risk mitigating practices and stability of the Company's cost structure
ix. The current portion of the Group's interest bearing loans account for 47% of its current liabilities (2013: 38%). This amount equates to approximately 38% of projected Group's revenues for the next financial year.

The directors and management of the Company have taken the following measures to address the above conditions:

- seeking private equity investor and currently in discussion with potential investors.
- conclude the sale and lease back of 5 ATRs. Have identified one lessor and signed a letter of intent LOI. Discussions ongoing. The sale and lease back option has been agreed on by the lenders
- continuously monitoring and reviewing of the 5 year strategic plan actions to ensure on track.
- re-negotiating and entering into agreements with main suppliers and statutory bodies to pay outstanding amounts in instalments. Payment plans have been signed with several of these agencies.
- Seeking waivers on penalties and interest charges on late payments of outstanding dues. One case of successful waiver already granted.
- operations and structure rationalization and hence improving operational efficiencies and thereby improve service delivery at minimum cost
- network and fleet rationalization. Using the help of a consultant to overhaul the entire network and work on HUB and SPOKE strategy so as to maximize on the feed and de-feed in DAR and NBO HUBS. This will open up opportunities to get extra passengers on board our flights and thus make additional revenues on existing fleets.
- review the existing skill levels of our staffs and either upgrade it through coaching and training; or recruitment of the right people in the right places
- tight and continuous focus on costs control with the view of maintaining them at a minimum
- increase partnership portfolio and sign up more SPA's, code shares and JV's thus increase our passenger revenues numbers
- finalise and conclude on partnership arrangements in Ground handling and maintenance so as to generate additional revenues alongside other ancillary revenue opportunities.

2 BASIS OF PREPARATION (Continued)

2.1 Going concern basis of preparation (Continued)

Management have reviewed these considerations and the results of this assessment have been documented and presented to the directors and major creditors and lenders for their consideration. The key stakeholders inputs and considerations which have been incorporated in the strategic plan and implementation framework going forward.

After due consideration of the outlined planned measures, coupled with the improved improvement over the last one year in both operating performance, cash flow position and current asset/current liabilities balances (arising from fruition of some of the stated measures), the directors strongly believe that the Company will have adequate resources to continue in operational existence for next 12 months. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual consolidated and separate financial statements.

These consolidated and separate financial statements do not reflect adjustments that would be necessary if the Company was unable to continue as a going concern. If the Company was unable to continue as a going concern, then substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the classifications used in the statement of financial position.

While the directors and management believe that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these consolidated and separate financial statements, there can be no absolute assurance that these actions will be successful.

2.2 Statement of compliance

The consolidated and separate financial statements of Precision Air Services Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as issued by International Accounting Standards Board (IASB) and comply with the Tanzanian Companies Act, 2002.

3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Precision Air Services Plc (the Company) and its subsidiaries; namely, Precision Handling Limited and Precise Systems Limited as at 31 March 2014, together “the Group”.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

3 BASIS OF CONSOLIDATION (Continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained
- earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Impairment of aircraft

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

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

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

In management's judgment, the carrying value of aircraft is not impaired as of the date of these consolidated and separate financial statements.

Unused ticket revenue

Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. Other revenue is recognised at the time the service is provided.

Impairment of trade receivables

The Company assesses recoverability of trade receivables and where there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of trade. The carrying amount of trade receivable is reduced to reflect the recoverable amount. Impairment of trade receivables as at year end is disclosed in Note 20.

Property and equipment

Critical estimates are made by the Directors in determining the useful lives and residual values of property and equipment 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 (Summary of Significant accounting policies).

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Going concern basis of preparation of financial statements

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

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

Significant assumptions underlying the going concern basis of preparation of these consolidated and separate financial statements are disclosed in Note 2.1.

5 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 April 2013:

- IAS 1 Presentation of Items of Other Comprehensive Income (OCI) – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 19 Employee Benefits (Revised 2011)
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
- IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements , IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- Improvements to IFRSs 2009-2011 Cycle:
  - IAS 16 – Classification of servicing equipment
  - IAS 34 – Interim financial reporting and segment information for total assets and liabilities

5 CHANGES IN ACCOUNTING POLICIES (Continued)

New and amended standards and interpretations (Continued)

The adoption of the standards or interpretations is described below:

IAS 1 Presentation of Items of Other Comprehensive Income (OCI) – Amendments to IAS 1
The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on Available For Sale (AFS) financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)
These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments did not have impact on the Group's financial position or performance.

IAS 19 Employee Benefits (Revised 2011)
This revised standard was amended in June 2011 resulting from the post-employment benefits and termination benefits projects. A significant amendment was the removal of the corridor approach for recognising actuarial gains and losses, requiring full recognition of surpluses and deficits in OCI. An additional amendment relates to the distinction between short-term and other long term benefits. This distinction will be based on the expected timing of settlement rather than the employee's entitlement to the benefits and had an impact on the manner in which leave pay and similar liabilities are currently classified and accounted for.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)
The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated and separate financial statements, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
The amendment aligns the disclosure requirements in IAS 34 Interim Financial Reporting with those of IFRS 8 Operating Segments. The amendment clarified that total assets for a particular reportable segment need only be disclosed when both:

- The amounts are regularly provided to the chief operating decision maker; and
- There has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements.

This amendment had no financial or disclosure impact on the Group's financial statements.

5 CHANGES IN ACCOUNTING POLICIES (Continued)

New and amended standards and interpretations (Continued)

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
This standard replaces the consolidation requirements in SIC12 Consolidation – Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. This standard builds on the existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 10 Consolidated Financial Statements does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control requires consideration of aspects such as de-facto control, substantive versus protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor.

This amendment had no financial or disclosure impact on the Group's financial statements.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 11 is effective for annual periods beginning on or after 1 January 2013. It did not have impact on the financial position or performance of the Group as there are neither joint arrangements nor investment in associates and joint ventures.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 Disclosure of Interests in Other Entities is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and special purpose vehicles. IFRS 12 Disclosure of Interests in Other Entities requires sufficient transparency to enable users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

This amendment had no financial or disclosure impact on the Group's financial statements.

5 CHANGES IN ACCOUNTING POLICIES (Continued)

New and amended standards and interpretations (Continued)

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group but additional disclosures.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS; therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, which are consistent with those of previous years, are shown below:

Current versus non-current classification

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

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

All other assets are classified as non-current. A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Revenue

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

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

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 the investments is recognized when the Group’s rights to receive payment as a shareholder have been established.

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 cost of completion and the estimated costs necessary to make the sale.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

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

Major repairs of aircraft components – airframe, engines and landing gears are initially capitalized and depreciated on an hourly usage basis up to the next overhaul. Routine maintenance costs including annual airframe checks are written off to profit or loss in the accounting period in which they are incurred.
Aircrafts are stated at revalued amount.

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

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

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

A transfer from the asset revaluation reserve to retained earnings is made when the asset is disposed of. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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.

The assets' residual values, useful lives and methods are reviewed and adjusted prospectively if appropriate at each financial year end.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Intangible assets

Intangible assets are measured on initial recognition at cost. Generally, costs associated with developing computer software programmes are recognized as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

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 is 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.

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 inflows 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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

Foreign currencies

The consolidated and separate financial statements are presented in Tanzanian Shillings (TZS), which is also the parent company's functional and presentation currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Foreign currency transactions are initially recorded by the Group's entities at their respective functional currency spot rates, Tanzanian Shillings, at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated into Tanzanian Shillings spot rates of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss except where hedge accounting is applied.

Cash flow hedges

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

Borrowing costs

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

Other borrowing costs are recognized in profit or loss in the period in which they are incurred.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks 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 equivalent consist of cash and cash equivalent as defined above, net of outstanding bank overdrafts.

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.

Pensions and other post-retirement benefits
All of the Group employees are members of the National Social Security Fund (“NSSF”), which is a defined contribution plan. The Group and employees both contribute 10% of the employees’ gross salaries to the NSSF. The contribution is charged to profit or loss when incurred.

Financial assets

Financial assets include loans and receivables and cash and bank balances .Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Amortised cost
Loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, 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 expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss against the allowance account is recognized in profit or loss.

Financial liabilities

Financial liabilities include trade and other payables, accruals, finance debts (loans and borrowings) and derivative financial instruments.

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the liabilities are de-recognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

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

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

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

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

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if and only if:

- there is a currently enforceable legal right to offset the recognised amounts

and

- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividend distribution

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

Taxation

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 25% (2013: 25%).

Deferred tax

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

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

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.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 is 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.

7 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

Standard	Effective date	*Effect*
IFRS 9 Financial instruments	Not yet determined	The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.
IFRIC 21 Levies	1 January 2014	IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.
IAS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014	Right to set off the recognised amounts" (IAS 32.42(a)). This means that the right of set-off: - must not be contingent on a future event; and - must be legally enforceable in all of the following circumstances: - the normal course of business; - the event of default; and - the event of insolvency or bankruptcy of the entity and all of the counterparties. This amendment is not expected to have any financial or disclosure impact on the Group's financial statements.
IAS 36 Disclosure requirements for the recoverable amount of impaired assets	1 January 2014	The IASB has issued amendments to IAS 36 - Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. These amendments are not expected to be relevant to the Group.

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
8 REVENUE				
Passenger revenue	104,484,175	138,604,685	104,484,175	138,604,685
Freight and mail	1,455,715	2,984,856	1,455,715	2,984,856
Commission	5,343,424	4,833,965	-	-
Connection and access fees	151,845	115,629	-	-
Training income	42,100	24,600	-	-
Fuel Surcharge	29,784,743	34,794,219	29,784,743	34,794,219
	141,262,002	181,357,954	135,724,633	176,383,760
9 COST OF SALES				
Fuel and oil	28,909,718	50,484,217	28,909,718	50,484,217
Lease of aircraft and engines	4,144,974	7,749,688	4,144,974	7,749,688
Aircraft landing, handling and navigation	7,637,834	12,721,693	7,637,834	12,721,693
Aircraft maintenance	16,696,416	23,695,383	16,696,416	23,695,383
Depreciation of aircraft components	1,075,505	1,818,004	1,075,505	1,818,004
Passenger services	2,519,583	8,884,101	2,519,583	8,884,101
Commission on sales	5,981,275	8,733,157	4,345,064	6,620,367
Aircraft, passengers and cargo insurance	196,157	106,713	196,157	106,713
Depreciation of aircraft and engines	18,096,132	15,882,377	18,096,132	15,882,377
Crew route expenses	1,403,992	2,754,362	1,403,992	2,754,362
Internet service charges	643,782	465,413	-	-
Centralised reservation systems	11,593,153	12,972,146	11,593,153	12,972,146
Aircraft cleaning and certification	495,881	1,536,814	495,881	1,536,814
Other	234,136	109,004	-	-
	99,628,538	147,913,072	97,114,409	145,225,865
10 OTHER INCOME				
Cancellation income	78,941	149,673	78,941	149,673
(Loss) /Gain on disposal of property and equipmen	(3,500)	316,975.00	(3,500)	316,975
Passenger interline commission	187,232	309,864	187,232	309,864
No show and other charges	996,922	693,488	996,922	693,488
Miscellaneous	96,851	24,652	96,851	24,652
	1,356,446	1,494,652	1,356,446	1,494,652
11 MARKETING EXPENSES				
Advertising and publicity	1,688,393	2,095,901	1,653,853	2,075,591
Entertainment	22,725	73,037	212	68,993
	1,711,118	2,168,938	1,654,065	2,144,584

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
12 ADMINISTRATIVE EXPENSES				
Staff costs				
Salaries and wages	19,359,027	21,788,165	18,564,067	21,222,431
Contribution to pension fund	1,774,860	1,808,871	1,697,024	1,752,356
Payroll levies	957,298	1,185,785	916,539	1,152,143
Other employment costs	2,018,062	4,449,543	1,811,400	4,380,581
Bank charges	370,428	322,942	361,063	318,442
Motor vehicle expenses	1,761,603	3,175,817	1,712,661	3,133,026
Legal and professional fees	1,035,645	366,135	1,015,645	356,450
Rent, maintenance and supplies	2,769,354	3,330,138	2,477,394	3,224,665
Taxes and levies	4,410,990	652,684	4,404,006	652,684
General specified expenses	1,522,618	4,150,788	1,042,794	3,873,344
Amortization of intangible assets	80,854	91,510	80,854	91,510
Board meeting expenses	74,839	66,408	74,839	66,408
Donations	12,799	35,614	2,760	29,800
Depreciation-motor vehicles, computers,furniture and equipment	1,058,738	792,629	527,113	457,718
	37,207,115	42,217,029	34,688,159	40,711,558
Legal and professional fees include:				
Audit fees	59,208	56,699	47,141	47,141
13 FINANCE COSTS				
Interest on debts and borrowings	10,455,200	8,172,169	10,449,800	8,170,242
	10,455,200	8,172,169	10,449,800	8,170,242
14 LOSS ON FOREIGN CURRENCY EXCHANGE				
Loss on foreign currency exchange	4,555,748	4,591,848	4,713,214	4,407,177
	4,555,748	4,591,848	4,713,214	4,407,177

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

15 PROPERTY AND EQUIPMENT-GROUP

	Aircraft	Aircraft components	Aircraft improvements	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress (Hanger)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost or valuation:								
At 1 April 2012	216,025,298	25,280,175	7,519,323	895,533	1,079,018	2,775,140	8,721,502	262,295,988
Disposal	(5,398,585)	(4,121,388)	-	-	-	-	-	(9,519,973)
Additions	57,503,779	3,740,313	-	15,360	768,440	158,309	1,051,562	63,237,763
At 31 March 2013	268,130,492	24,899,100	7,519,323	910,893	1,847,458	2,933,449	9,773,064	316,013,778
Additions	-	69,908	-	520,889	333,641	530,884	382,303	1,837,625
Disposal	-	-	-	(32,470)	-	-	-	(32,470)
At 31 March 2014	268,130,492	24,969,008	7,519,323	1,399,312	2,181,099	3,464,333	10,155,367	317,818,933
Depreciation and impairment:								
At 1 April 2012	37,513,016	14,519,876	7,519,323	545,593	723,458	806,107	-	61,627,373
Disposal	(2,459,730)	(3,746,818)	-	-	-	-	-	(6,206,548)
Charge for the year	15,882,377	1,818,004	-	131,418	351,488	309,723	-	18,493,010
At 31 March 2013	50,935,663	12,591,062	7,519,323	677,011	1,074,946	1,115,830	-	73,913,835
Disposal	-	-	-	(20,970)	-	-	-	(20,970)
Charge for the year	18,096,132	1,075,505	-	241,049	399,894	417,794	-	20,230,374
At 31 March 2014	69,031,795	13,666,567	7,519,323	897,090	1,474,840	1,533,624	-	94,123,239
Carrying amount								
At 31 March 2014	199,098,697	11,302,441	-	502,222	706,259	1,930,708	10,155,367	223,695,694
								-
At 31 March 2013	217,194,829	12,308,038	-	233,882	772,512	1,817,618	9,773,064	242,099,943

Certain items of property and equipment are pledges as securities against borrowing facilities. Refer Note 25 of the these financials statements.

During 2011,the Company engaged Ascend Online Values (V1) Portifolio Services, an accredited independent valuer, to determine the fair value of aircrafts.

Fair value is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of revaluation was 31 March 2011.

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

	2014 AMOUNT	2013 AMOUNT
	TZS '000	TZS '000
Cost	183,499,483	183,499,483
Accumulated depreciation and impairment	(69,163,522)	(51,767,997)
Carrying amount	114,335,962	131,731,486

15 PROPERTY AND EQUIPMENT-COMPANY

	Aircraft	Aircraft components	Aircraft improvements	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress (Hanger)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost or valuation:								
At 1 April 2012	216,025,298	25,280,175	7,519,323	871,445	1,029,115	875,490	8,721,502	260,322,348
Disposal	(5,398,585)	(4,121,388)	-	-	-	-	-	(9,519,973)
Additions	57,503,779	3,740,313	-	11,500	106,965	102,661	1,051,562	62,516,780
At 31 March 2013	268,130,492	24,899,100	7,519,323	882,945	1,136,080	978,151	9,773,064	313,319,155
Additions	-	69,908	-	520,889	120,651	287,873	382,303	1,381,624
Disposal	-	-	-	(32,470)	-	-	-	(32,470)
At 31 March 2014	268,130,492	24,969,008	7,519,323	1,371,364	1,256,731	1,266,024	10,155,367	314,668,309
Depreciation and impairment:								
At 1 April 2012	37,513,016	14,519,876	7,519,323	533,549	710,982	426,176	-	61,222,922
Disposal	(2,459,730)	(3,746,818)	-	-	-	-	-	(6,206,548)
Charge for the year	15,882,377	1,818,004	-	125,139	217,822	114,757	-	18,158,099
At 31 March 2013	50,935,663	12,591,062	7,519,323	658,688	928,804	540,933	-	73,174,473
Disposal	-	-	-	(20,970)	-	-	-	(20,970)
Charge for the year	18,096,132	1,075,505	-	239,762	134,275	153,076		19,698,750
At 31 March 2014	69,031,795	13,666,567	7,519,323	877,480	1,063,079	694,009	-	92,852,253
Carrying amount								
At 31 March 2014	199,098,697	11,302,441	-	493,884	193,652	572,015	10,155,367	221,816,056
								-
At 31 March 2013	217,194,829	12,308,038	-	224,257	207,276	437,218	9,773,064	240,144,682

-

Certain items of property and equipment are pledges as securities against borrowing facilities. Refer Note 25 of the these financials statements.

During 2011,the Company engaged Ascend Online Values (V1) Portifolio Services, an accredited independent valuer, to determine the fair value of aircrafts.

Fair value is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of revaluation was 31 March 2011.

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

	2014 AMOUNT TZS '000	2013 AMOUNT TZS '000
Cost	183,499,483	183,499,483
Accumulated depreciation and impairment	(69,163,522)	(51,767,997)
Carrying amount	114,335,962	131,731,486

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
16 INTANGIBLE ASSETS				
Computer software				
Cost				
At beginning of the year	901,663	880,555	901,663	880,555
Additions	240,951	21,108	-	21,108
At end of the year	1,142,614	901,663	901,663	901,663
Accumulated amortisation				
At beginning of the year	710,062	618,552	710,062	618,552
Charge for the year	80,854	91,510	80,854	91,510
At end of the year	790,916	710,062	790,916	710,062
Carrying amount	351,698	191,601	110,747	191,601

17 INVESTMENT IN SUBSIDIARIES

Precision Handling Limited- equity	-	-	-	-
Precise Systems Limited - equity	-	-	80,419	80,419
	-	-	80,419	80,419

Precision Handling Limited was incorporated in Tanzania during the year 2010 and 100 % of its share capital is held by the Company. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a licence to also serve other airlines. The subsidiary's share capital is yet to be allotted and paid in pending obtaining of licence to serve third parties.

Precise Systems Limited was incorporated in Tanzania on 25 August 2011 and 100 % of its share capital is held by the Company. Precise Systems distributes the Galileo Reservation system to Airlines and Travel Agents in Tanzania. The Subsidiary commenced operations on 1 July 2012.

18 OTHER FINANCIAL ASSETS

SITA Global Investment	5,900	5,699	5,900	5,699
Aircraft security deposit	1,622,580	1,886,936	1,622,580	1,886,936
	1,628,480	1,892,635	1,628,480	1,892,635
-Current portion	(1,622,580)	(1,886,936)	(1,622,580)	(1,886,936)
-Non Current portion	5,900	5,699	5,900	5,699

SITA Global investment represents US $ 4,000 advanced to SITA on loan basis to be reimbursed in ten equal annual instalments beginning October 2003. The loan bears interest at the average LIBOR of the last five working days of the month preceding the period concerned.

The long term receivables relate to initial deposit made for new aircraft. The contractual deposit is only released upon return of the aircraft or delivery of the aircraft respectively.

The deposit do not attract any interest.

The movement in deposit is as follows:

At the beginning of the year	1,892,635	10,439,041	1,892,635	10,439,041
Refunds in the year	(264,155)	(8,546,407)	(264,155)	(8,546,407)
At the end of the year	1,628,480	1,892,635	1,628,480	1,892,635

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000

19 INVENTORIES

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
Aircraft spare parts	6,304,960	8,001,169	6,304,960	8,001,169
Fuel and stationeries	498,828	620,452	498,828	620,452
	6,803,787	8,621,621	6,803,787	8,621,621

There was no inventory written off during the year (2013: TZS Nil).

There was no inventory pledged as security for liabilities as at year end (2013: NIL)

20 TRADE AND OTHER RECEIVABLES

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
Trade receivables - Third party	17,940,234	11,667,514	17,075,713	10,814,506
Inward bills control	10,890,284	14,832,601	10,890,284	14,832,601
Less: Allowance for credit losses	(9,698,669)	(9,851,561)	(9,698,669)	(9,851,561)
	19,131,849	16,648,554	18,267,328	15,795,546
Trade receivables - Related party [Note 27]	-	-	3,053,854	2,808,032
Advances to suppliers	46,010	181,295	46,010	181,295
Staff loans, advances and imprests	797,164	799,180	797,164	799,180
Other debtors	393,909	236,063	237,848	79,183
	20,368,932	17,865,092	22,402,204	19,663,236

The movement in the valuation of allowance for credit losses is set out below:

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
At beginning of the year	9,851,561	1,249,870	9,851,561	1,249,870
Addition	460,562	8,601,691	460,562	8,601,691
At 31 March	9,698,669	9,851,561	9,698,669	9,851,561

Age analysis of trade and other receivables

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
==> Neither past due nor impaired	10,278,823	1,128,294	12,312,095	9,124,016
==> Past due but not impaired - Above 90 days	391,440	687,661	391,440	687,661
==> Overdue and fully impaired - Above 150 days	9,698,669	9,851,559	9,698,669	9,851,559
	20,368,932	11,667,514	22,402,204	19,663,236

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

		Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
United States Dollars	USD	4,942,459	2,156,662	4,077,938	3,607,893
Euro	EURO	1,097,381	567,699	1,097,381	567,699
Sterling Pound	GBP	189,579	310,322	189,579	310,322
Australian Dollars	UAD	83,585	104,927	83,585	104,927
Canadian Dollars	CAD	42,527	51,565	42,527	51,565
South African Rand	ZAR	132,936	152,415	132,936	152,415
Kenya Shillings	KES	171,672	170,398	171,672	170,398
		6,660,139	3,513,988	5,795,618	4,965,219

==> For terms and conditions relating to related party receivables, refer to Note 27.
==> Trade receivables are non-interest bearing and are generally on 30 - 90 day terms.

21 PREPAYMENTS

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
Prepaid insurance	30,248	88,624	-	88,624
Prepaid rent	156,419	104,109	107,397	104,109
Prepaid marketing expenses	1,248,951	772,886	361,330	772,886
Other	112,427	223,102	19,787	223,102
	1,548,045	1,188,721	488,514	1,188,721

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

		Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
22 CASH AND CASH EQUIVALENTS					
Cash and short-term deposits		7,169,375	3,699,167	7,080,885	3,584,824
Bank overdraft [Note 25]		(8,843,655)	(12,205,058)	(8,843,655)	(12,205,058)
		(1,674,280)	(8,505,891)	(1,762,770)	(8,620,234)
Cash and bank balances comprise of the following amounts denominated in foreign currency:					
United States Dollars	USD	2,555,527	2,467,037	2,467,037	2,467,037
Euro	EURO	322,614	322,614	322,614	322,614
South African Rand	ZAR	(12,697)	(12,697)	(12,697)	(12,697)
		2,865,444	2,776,954	2,776,954	2,776,954

23 TAXATION

	Group 31-Mar-14	Group 31-Mar-13	Company 31-Mar-14	Company 31-Mar-13
(a) Tax payable				
At beginning of the year	1,474,691	53,649	1,201,098	53,649
Payments during the year	(578,892)	-	(300,000)	-
Charge during the year	237,237	273,593	-	-
Under provision in previous years	3,821	-	-	-
Alternate minimum tax charge- current	411,072	529,151	411,072	529,151
Alternate minimum tax charge - previous years	-	618,298	-	618,298
At end of the year	1,547,929	1,474,691	1,312,170	1,201,098
(b) Tax charge /(credit)				
Current year tax	237,237	273,593	-	-
Alternate minimum tax- current year	411,072	529,151	411,072	529,151
Alternate minimum tax- previous years	-	618,298	-	618,298
Under provision in previous years	3,821	-	-	-
Deferred tax charge /(credit)	6,293	(2,084,798)	-	(2,102,695)
Total charge to profit or loss	658,423	(663,756)	411,072	(955,246)

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

(c) Deferred tax

	Group 31-Mar-14	Group 31-Mar-13	Company 31-Mar-14	Company 31-Mar-13
Deferred tax liability				
Accelerated depreciation for tax purposes	124,556,221	143,466,229	124,475,588	143,267,372
Revaluation surplus	9,687,415	9,687,415	9,687,415	9,687,415
	134,243,636	153,153,644	134,163,003	152,954,787
Deferred tax liability thereon at 25% (2013:25%	33,560,909	38,288,411	33,540,751	38,238,697
Deferred tax asset				
Leave accrual	(470,195)	(492,781)	(470,195)	(492,781)
Cash flow hedging reserve	(24,639,502)	(24,639,502)	(24,639,502)	(24,639,502)
General impairment of receivables	(9,698,669)	(9,851,561)	(9,698,669)	(9,851,561)
Tax losses carried forward	(149,760,916)	(134,959,929)	(149,760,916)	(134,959,929)
	(184,569,282)	(169,943,773)	(184,569,282)	(169,943,773)
Deferred tax asset thereon at 25% (2013:25%)	(46,142,321)	(42,485,943)	(46,142,321)	(42,485,943)
Net deferred tax (asset)/liability	(12,581,412)	(4,197,532)	(12,601,570)	(4,247,246)
Less: Deferred tax asset not recognised	12,605,602	4,215,429	12,601,570	4,247,246
As per statement of financial position	24,190	17,897	-	-
Less: Opening net deferred tax liability	17,897	2,102,695	-	2,102,695
Deferred tax recognised during the year	6,293	(2,084,798)	-	(2,102,695)

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
23 TAXATION (Continued)				
Deferred tax (credited) /Charged to:				
Profit or loss	6,293	(2,084,798)	-	(2,102,695)
Equity	-	-	-	-
	6,293	(2,084,798)	-	(2,102,695)

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

(d) Reconciliation of tax expense to tax based on accounting profit:

	Group 31-Mar-14	Group 31-Mar-13	Company 31-Mar-14	Company 31-Mar-13
Accounting profit before tax	(11,399,833)	(30,812,141)	(11,999,130)	(31,382,705)
Tax applicable rate of 25%	(2,849,958)	(7,703,035)	(2,999,783)	(7,845,676)
Tax effect on non taxable/non deductible items				
Alternate minimum tax charge- previous years	-	618,298	-	618,298
Alternate minimum tax charge - current year	411,072	529,151	411,072	529,151
Under provision in previous years	3,821	-	-	-
Increase/(Decrease) in tax losses	3,700,247	6,103,650	3,700,247	6,103,650
Non taxable items	(606,759)	(211,820)	(700,465)	(360,669)
Total tax expense/(credit)	658,423	(663,756)	411,072	(955,246)

(e) Final Tax assessments

The normal procedure for agreeing final income tax liability in Tanzania involves the company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the company's submissions and issuing their notice of final income tax assessments to the company. The final income tax assessment may be determined by TRA after their review and possible site visit may differ from the assessments determined by the Company and procedures are in place for the company to object and appeal against the TRA assessments. It is common that a timeframe from the Company's own submission of its final tax returns and for TRA performing their reviews and issuing of notice of final tax assessment may take several months or years.

The Company has duly submitted its final tax returns for all previous years including 2013, with the final assessments for years prior to 2008 settled with the TRA.

The Company has received from TRA notices for the final assessments up to year 2008 which indicates tax losses of TZS 23,558,059,000 which has been agreed by the Company. Final assessments by TRA for financial years 2009 to 2013 have not been communicated to the Company by TRA.

The Company's final tax return for the financial year ended 31 March 2014 is not yet due until 30 September 2014.

24 SHARE CAPITAL

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
Authorised:				
242,000,000 Ordinary Shares of TZS 20/= each				
(2013: 242,000,000 Ordinary Shares of TZS 20/= each)	4,840,000	4,840,000	4,840,000	4,840,000
Issued and fully paid up:				
160,469,800 Ordinary Shares of TZS 20/= each				
(2013: 160,469,800 Ordinary Shares of TZS 20/= each)	3,209,396	3,209,396	3,209,396	3,209,396

The shareholders of the Company are as indicated in the Director's report ,Note 14.

There were no change in major shareholders during the year.

Share premium	10,490,987	10,490,987	10,490,987	10,490,987

Revaluation Reserves

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

25 INTEREST BEARING LOANS AND BORROWINGS

	Average Interest	Maturity	Group 31-Mar-14	Group 31-Mar-13	Company 31-Mar-14	Company 31-Mar-13
Secured Bank term loans						
Stanbic Tanzania Ltd-US$ (Revolving loan)	8.88%	30.10.2013	2,352,742	2,343,645	2,352,742	2,343,645
Citibank International Plc and Finnfund Industrial Co-operation -US$	4.28%	2008 - 2022	150,546,652	147,636,777	150,546,652	147,636,777
Export Development Canada(EDC) - US$	4.64%	2013-2022	42,909,065	42,299,031	42,909,065	42,299,031
KCB (T) Limited-US$ (Hangar Loan)	9.00%	30.08.2015	2,876,148	4,559,193	2,876,148	4,559,193
Stanbic Bank Tanzania Limited-US$ (Caravan)	5.50%	31.12.2013	2,319,125	2,912,770	2,319,125	2,912,770
Stanbic Bank Tanzania Limited-US$	5.50%	31.12.2013	-	1,186,934	-	1,186,934
			201,003,733	200,938,349	201,003,733	200,938,349
Unsecured term loan						
Hassan & Sons - US$	38.00%	31.01.2015	1,030,087	-	1,030,087	-
			202,033,820	200,938,349	202,033,820	200,938,349
Secured Bank overdrafts						
Kenya Commercial Bank - US$	9.00%	on demand	1,776,980	3,100,342	1,776,980	3,100,342
Kenya Commercial Bank - TZS	16.00%	on demand	1,756,411	1,374,122	1,756,411	1,374,122
Stanbic Bank Tanzania Limited - US$	9.50%	on demand	5,310,263	7,730,595	5,310,263	7,730,595
			8,843,655	12,205,058	8,843,655	12,205,058
Grand total Interest Bearing loans and borrowings			210,877,475	213,143,407	210,877,475	213,143,407
Non-Current Interest bearing loans and borrowings			147,393,584	167,631,465	147,393,584	167,631,465
Current Interest bearing loans and borrowings			63,483,891	45,511,942	63,483,891	45,511,942
			210,877,475	213,143,407	210,877,475	213,143,407

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

	Group 31-Mar-14	Group 31-Mar-13	Company 31-Mar-14	Company 31-Mar-13
At the beginning of the year	200,938,349	171,347,913	200,938,349	171,143,012
Additional loans received	1,030,087	49,564,543	1,030,087	49,564,543
Interest capitalised	423,151	-	423,151	-
Translation loss	4,982,997	266,646	4,982,997	266,646
Repaid in the year	(5,340,764)	(20,240,753)	(5,340,764)	(20,035,852)
At the end of the year	202,033,820	200,938,349	202,033,820	200,938,349

As at year end, the overdraft facilities were fully utilised.

As at year end, the following term loan facilities were undrawn:

		Group 31-Mar-14	Group 31-Mar-13	Company 31-Mar-14	Company 31-Mar-13
*	KCB (T) Ltd (Hangar loan-USD 5,794,973)	-	-	-	-
**	Stanbic Bank (Short term enhanced loan-US$ 1,300,000)	-	826,586	-	826,586
**	Stanbic Bank (Short term revolving loan -US$ 700,000)	-	27,510	-	27,510

* The loan has been approved for construction of hangar project. The loan is secured by mortgage over hanger property to be constructed at Mwalimu Julius Nyerere International Airport for entire exposure to the tune of US$ 9,795,000

** The two Stabic Bank loans have been approved for enhancement of existing facilities. The loan is secured by mortgage over the debentures pledged on the original borrowings.

25 INTEREST BEARING LOANS AND BORROWINGS (Continued)

The Company failed to honour its matured loan obligations during the year amounting to USD 14,818,040 equivalent to TZS 24,5Billion. This balance is reflected in the current portion of Interest bearing loans and borrowings . The unpaid matured obligations relate to Citibank International Plc for US$ 10,786,948 equivalent to TZS 17.6B, Finnfund Industrial Cooperation US$ 1,239,207 equivalent to TZS 2.0 Billion and Export Development Canada(EDC) for US$ 3,566,137equivalent to TZS 5.8Billion

KCB (T) Limited: Term loan -US$ 5,794,973
The loan was granted for the purpose of construction of hanger complex at Mwalimu Nyerere International Airport payable by 2015.
The facility is secured by the hanger complex.

KCB (T) Limited: Overdraft -US$ 1,000,000 and TZS 1,6000,000,000
The overdrafts are secured by Chattels Mortgage over:
- Debenture over floating assets
- Assignment over monthly BSP receivables

Stanbic Bank Ltd: Term loan - US$ 3,180,076 and Overdraft - US$ 4,000,000
The loan was granted for the purpose of purchasing one ATR 72 aircraft.
The facilities are secured by:

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

Citibank International Plc and Finnfund Industrial Co-operation loan in the aggregate amount of US$ 127,000,000
- The purpose of the loan is to finance the acquisition of 5 ATR 72-500 and 2 ATR42-500.
- The seven Aircrafts have been delivered.
- The loan is secured by the aircrafts that have been delivered.

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

Export Development Canada(EDC) US$
- The purpose of the loan is to finance the acquisition of 2 ATR 72-600.
  The two aircrafts have already been delivered.
- The loan is secured by the aircraft that have been delivered.

Hassan & Sons loan
- The purpose of the loan was to settle outstanding liabilities on Air port departure tax and service charges that was payble to Zanzibar Revenue Authority by October 2012.
- The loan is unsecured

	Group	Group	Company	Company
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	TZS '000	TZS '000	TZS '000	TZS '000

26 TRADE AND OTHER PAYABLES

Trade payables - third parties	27,837,425	32,729,891	27,443,067	32,597,791
Trade payables - related parties [Note 27]	3,136,245	10,085,218	3,136,245	10,085,218
Advances from customers	56,698	392,419	56,698	392,419
Sales in advance of carriage	3,561,333	5,811,301	3,561,333	5,811,301
Commission advance	268,703	-	-	-
Lease accruals	3,873,132	-	3,873,132	-
Statutory liabilities	25,278,662	19,239,584	25,278,662	19,239,584
Interest payable	6,312,039	2,947,644	6,312,039	2,947,644
Other accruals and creditors	1,916,841	783,133	1,321,059	299,863
	72,241,078	71,989,190	70,982,235	71,373,820

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

United States Dollars	USD	21,044,812	35,079,737	20,864,751	35,079,737
Euro	EURO	289,766	518,763	289,766	518,763
Great Britain Pound	GBP	368,377	76,084	368,377	76,084
South African Rand	ZAR	-	31,411	-	31,411
Kenya Shillings	KES	155,865	156,035	155,865	156,035
		21,858,819	35,862,030	21,678,758	35,862,030

For terms and conditions relating to related party payables, refer to Note 27.
Trade and other payables are non-interest bearing and are normally settled within three months.

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.

27 RELATED PARTY DISCLOSURES

(i) Key management remuneration

Short term benefits	306,893	263,273	306,893	263,273
Post employment benefits	7,927	7,927	7,927	7,927
Directors allowances	74,839	66,408	74,839	66,408
	389,659	337,608	389,659	337,608

Key Management personnel include the heads of departments (namely directors who are not members of the Board of Diretcors) Managing Director and Chief Executive Officer.

(ii) Purchases and other transactions from related parties during the year

Kenya Airways Limited	20,570,910	31,864,553	20,570,910	31,864,553
Ngaleku Children's Home Contribution	4,877	4,409	4,877	4,409

(iii) Sales and other transactions to related parties during the year

Kenya Airways Limited	1,295,492	4,416,626	1,295,492	4,416,626
Precise Systems Limited	-	-	-	1,289

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 inter-line services and advances.

Precision Handling Limited was incorporated in Tanzania during the year 2010 and 100 % of its share capital is held by the Company. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a licence to also serve other airlines. The outstanding balance relates to loan principal and interest repayments on behalf of the subsidiary and capital expenditure financing during the year.

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

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

(i) Balances due from related parties

Precision Handling Limited	-	-	2,808,032	2,808,032
Precise Systems Limited (*)	-	-	245,822	-
			3,053,854	2,808,032

(*) Precise Systems Limited obtained a loan of USD 150,000 from Precision Air Services Limited for development of PreciseSky Program, a booking and reservation software for local and non-scheduled airline operators. The loan, which is repayable by instalments to 2 October 2014, carries interest at 10% per annum. Precise Systems Limited is a 99% subsidiary of the Company.

	Group 31-Mar-14 TZS '000	Group 31-Mar-13 TZS '000	Company 31-Mar-14 TZS '000	Company 31-Mar-13 TZS '000
27 RELATED PARTY DISCLOSURES (Continued)				
(ii) Balances due to related parties				
Ngaleku Children's Home Contribution	2,378	1,835	2,378	1,835
Kenya Airways Limited	3,133,867	10,083,383	3,133,867	10,083,383
	3,136,245	10,085,218	3,136,245	10,085,218

Terms and conditions of transactions with related parties:

Outstanding balances at the year 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. For the year ended 31 March 2014 the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 2013: Nil). The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28 LEASE COMMITMENTS

Operating lease

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

As at the end of the year the company had two leased aircraft (2013: only one leased aircraft)

	Group 31-Mar-14	Group 31-Mar-13	Company 31-Mar-14	Company 31-Mar-13
Within one year	-	4,007,784	-	4,007,784
After one year but not more than five years	-	8,418,264	-	8,418,264
More than five years	-	-	-	-
	-	12,426,048	-	12,426,048

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

29 OTHER COMMITMENTS

Guarantee

In the ordinary course of business, the Group has standby letter of credit and bank guarantee with Stanbic Bank (T) Limited with a limit amount of US$ 1,000,000 and US$ 1,300,000 respectively. All these expired by end of financial year.

Capital commitment

The Group has no capital commitments as at year end.

30 SEGMENT REPORTING

For management purposes, the Group is organised into functional units under one reporting operating segment.

None of these functional units meet the definition of an operating segment therefore only one operating segment exists.

The majority of revenue is derived from passenger revenue (as disclosed in Note 8) and the Board of Directors relies primarily on passenger revenue to assess performance. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the Statement of Comprehensive income and other financial highlights as indicated on page 2.

Management monitors the operating results of its business as indicated on page 2 for the purpose of making decisions about resource allocation and performance assessment.

31 CONTINGENCIES

Legal claims

As at 31 March 2014, the Group is a defendant in the following legal actions:

- Saadan Enterprises Ltd Vs PRECISION AIR SERVICES PLC (Kisutu Resident Magistrates' Court, filed in 2008).
  The plaintiff is suing the airline for payment of hire fees and the surrender of a motor vehicle in the state as it was, before the hire as a result of damage caused by the defendant's driver's recklessness which caused a serious road accident and damage to the motor vehicle. The plaintiff is seeking payment of TZS 50,000 per day from May 1, 2007 to the date of judgement.

- Zanzibar Beach Resort Vs PRECISION AIR SERVICES PLC (High Court of Tanzania, filed in 2010).
  The plaintiff is claiming payment of disputed invoices amounting to USD 345,550.95 being the principal sum and interest, for hotel accommodation and catering services rendered. The ruling is on notice and the parties will be informed by the court once it is ready.

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

- Unique Car Rentals & Travel Agency Ltd vs. Precision Air Services Plc, (High Court, Dar es Salaam)
  The plaintiff claims against the defendant for immediate payment of TZS 748,316,037 being a claim for the outstanding motor vehicles rental charges and TZS 140,000,000 is a claim arising out of the defendant's failure to issue one month written notice before terminating the contract plus interest, damages and costs.

No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise if there were any rulings against the Group.

The Directors are not aware of any other major contingent liabilities that are required to be disclosed in accordance with International Financial Reporting Standards.

32 EMPLOYEES

Number of employees for the Group at the end of the year was 608 (2013: 717).

33 EARNINGS PER SHARE (EPS) - BASIC AND DILUTED

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

Diluted earnings per share is calculated on the profit or loss after tax attributable to ordinary equity holders 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.

The following reflects the loss and share data used in the basic and diluted EPS computations:

	Group		Company	
	2014	2003	2014	2013
EPS=	12,058,256,000	30,148,385,000	12,410,202,000	30,427,459,000
	160,469,800	160,469,800	160,469,800	160,469,800

34 FINANCIAL RISK MANAGEMENT

The Group and Company principal financial instruments comprise trade receivables, cash & cash equivalents, investments, loans and trade payables. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks which are summarised below.

a. Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group’s business activities may not be available and thus the Group being unable to fulfil its existing and future cash flow obligations.

The Group’s liquidity is managed by forecasting the cash and currency requirements. In managing its liquidity risk, the Group has access to a wide range of funding at competitive rates through banks. The amounts disclosed in the table below are the contractual undiscounted cash flows.

34 FINANCIAL RISK MANAGEMENT (Continued)

Group and Company	On demand TZS' Billion	Less than 1 year TZS' Billion	Between 1 year and 5 years TZS' Billion	After 5 years TZS' Billion	Total TZS' Billion
At 31 March 2014					
Interest bearing borrowings	9	65	84	122	280
Trade and other payables	-	74	-	-	74
	9	129	54	122	354
At 31 March 2013					
Interest bearing borrowings	12	54	84	122	272
Trade and other payables	-	72	-	-	72
	12	126	84	122	344

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

As at the reporting date the Group held significant foreign currency exposure resulting mainly from loans denominated in United States dollars. Foreign currency risk is managed at an operational level and monitored by the Finance Department. The Group utilises its US dollar debt repayments as a hedge of future US dollar revenues.

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, on profit before tax and equity. Exposure to other foreign currencies is not material.

Group and Company	Increase/decrease in the value of TZS vs. US Dollar	Effect on profit before tax TZS'000	Effect on equity TZS'000
Net effect based on statement of financial position as at 31 March 2014	+3% -3%	-6,703,000 +6,703,000	-4,692,000 +4,692,000
Net effect based on statement of financial position as at 31 March 2013	+3% -3%	-7,208,000 +7,208,000	-5,406,000 +5,406,000

34 FINANCIAL RISK MANAGEMENT (Continued)

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 loans and borrowings. Furthermore, no significant change in interest rates is expected for the coming twelve months.

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

	Increase/decrease in interest rate	Effect on profit before tax TZS' Billion	Effect on equity TZS' Billion
Group and Company			
Net effect based on statement of financial position as at 31 March 2014	+1%	-2.11	-1.58
	-1%	+2.11	+1.58
Net effect based on statement of financial position as at 31 March 2013	+1%	-2.13	-1.60
	-1%	+2.13	+1.60

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. Potential concentration of credit risk consists principally of short term cash and cash equivalents, and trade receivables. The Group deposits short term cash surpluses only with major banks of high credit standing.

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

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

34 FINANCIAL RISK MANAGEMENT (Continued)

f. Credit risk management

Trade receivables are presented net of allowance for doubtful debts. Accordingly, the Group has no significant concentration of credit risk which has not been insured or adequately provided for.

With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. The analysis of trade and other receivables is as per note 18 and 20.

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

	Group		Company	
	2014	2013	2014	2013
	TZS'000	TZS'000	TZS'000	TZS'000
Cash and short-term deposits	7,169,375	3,699,167	7,080,885	3,584,824
Trade and other receivables	20,368,932	17,865,092	22,156,383	19,633,236
Other financial assets	1,622,580	1,886,936	1,622,580	1,886,936
	29,160,887	23,451,195	30,859,847	25,134,996

g. 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.

35 HEDGES

Cash flow hedges
At 31 March 2014 the Group and Company held one principal risk management activity that was designated as hedges of future forecast transactions. There was a hedge of a proportion of future long-term revenue receipts by future debt repayments in foreign currency hedging future foreign exchange risk. To the extent that the hedge was assessed as highly effective, the amount is included in equity as detailed below:

GROUP AND COMPANY	2013 TZS'000	Charged to other comprehensive income TZS'000	2014 TZS'000
Year ended 31 March 2014			
Debt repayments to hedge future revenue	(24,639,502)	-	(24,639,502)
Related deferred tax charge	6,887,057	-	6,887,057
Total amount included within equity	(17,752,445)	-	(17,752,445)

35 HEDGES (Continued)

Cash flow hedges (Continued)

There was ineffective portion of the hedge during the year amounting to TZS 4,983 million which has been directly charged to loss for the year through foreign exchange losses (2013: TZS 266 million).

GROUP AND COMPANY	2012 TZS'000	Charged to other comprehensive income TZS'000	2013 TZS'000
Year ended 31 March 2013			
Debt repayments to hedge future revenue	(24,639,502)	-	(24,639,502)
Related deferred tax charge	6,887,057	-	6,887,057
Total amount included within equity	(17,752,445)	-	(17,752,445)

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated and separate financial statements.

	Fair values		Carrying amount	
	2014	2013	2014	2013
Group	TZS'000	TZS'000	TZS'000	TZS'000
Financial assets				
Trade and other receivables	20,368,932	17,865,092	20,368,932	17,865,092
Other financial assets	1,622,580	1,886,936	1,622,580	1,886,936
Cash and short-term deposits	7,169,375	3,699,167	7,169,375	3,699,167
Financial liabilities				
Interest bearing loans and borrowings	210,877,475	213,143,407	210,877,475	213,143,407
Trade and other payables	72,241,078	71,989,190	72,241,078	71,989,190

36 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Fair values		Carrying amount	
	2014	2013	2014	2013
Company	TZS'000	TZS'000	TZS'000	TZS'000
Financial assets				
Trade and other receivables	22,156,382	19,663,236	22,156,382	19,663,236
Other financial assets	1,622,580	1,886,936	1,622,580	1,886,936
Cash and short-term deposits	7,080,885	3,584,824	7,080,885	3,584,824
Financial liabilities				
Interest bearing loans and borrowings	210,877,475	213,143,407	210,877,475	213,143,407
Trade and other payables	70,982,235	71,373,820	70,982,235	71,373,820

Held to maturity financial assets, other receivables, fixed deposits with financial institutions; cash and bank balances and other payables are at amortised cost and their carrying amounts approximate their fair values as they have variable interest rate and the rates are market related.

The fair value of the financial assets and liabilities are included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at year end. The Group did not have at the reporting date any financial assets and liabilities measured at fair value.

The following methods and assumptions were used to estimate the fair values.

- Other financial assets, cash and short-term deposits, trade and other receivables, bank overdraft and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- The fair value of interest bearing loans and borrowings is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.

37 CAPITAL MANAGEMENT DISCLOSURES AND ANALYSIS OF CHANGES IN NET DEBT

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

The Group is not subject to any externally imposed capital requirements. The Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the years end 31 March 2014 and 31 March 2013.

The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. All components of equity are included in the denominator of the calculation.

At 31 March 2014, the net debt ratio was 109.15% (2013: 104.10%). The Group does not have a targeted debt ratio.

	2014 TZS'000	2013 TZS'000
Gross debt		
Interest bearing loans and borrowings	210,877,475	213,143,407
Trade and other payables	72,241,078	71,989,190
Cash and bank balances	(7,169,375)	(3,699,167)
Net Debt	275,949,178	281,433,430
Equity	(23,124,661)	(11,066,405)
Capital and net debt	252,824,517	270,367,025
Net Debt Ratio	109.15%	104.10%

38 SUBSEQUENT EVENTS

There are no subsequent events that have occurred which are either to be disclosed or to be adjusted for in the consolidated and separate financial statements that could materially affect the consolidated and separate financial statements.