

**PRECISION AIR SERVICES PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

# **PRECISION AIR SERVICES PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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**PRECISION AIR SERVICES PLC**

**CORPORATE INFORMATION  
FOR THE YEAR ENDED 31 MARCH 2018**

**PRINCIPAL PLACE OF BUSINESS:**

DIAMOND PLAZA  
MIRAMBO STREET, 1<sup>ST</sup> FLOOR  
PO BOX 70770  
DAR ES SALAAM

**REGISTERED OFFICE:**

NEW SAFARI HOTEL  
BOMA ROAD  
PO BOX 1636  
ARUSHA

**BANKERS:**

CRDB BANK PLC  
PO BOX 3150  
ARUSHA

STANBIC BANK  
PO BOX 3062  
ARUSHA

KCB BANK TANZANIA  
PO BOX 804  
DAR ES SALAAM

NBC BANK LIMITED  
PO BOX 157  
ZANZIBAR

STANDARD CHARTERED BANK  
PO BOX 30003  
NAIROBI, KENYA

I&M BANK  
PO BOX 30238  
NAIROBI, KENYA

CITI BANKTANZANIA LIMITED  
PO BOX 71625  
DAR ES SALAAM

TWIGA BANCORP  
PO BOX 10119  
DAR ES SALAAM

**GROUP SECRETARY:**

MIGIRE MIGIRE  
POBOX 70770  
DAR ES SALAAM

**GROUP AUDITORS:**

PRICEWATERHOUSECOOPERS  
CERTIFIED PUBLIC ACCOUNTANTS  
369 TOURE DRIVE, OYSTER BAY  
PO BOX 45  
DAR ES SALAAM

# PRECISION AIR SERVICES PLC

## HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH 2018

	31 March 2018 TZS '000	31 March 2017 TZS '000
Revenue		
Passenger	97,108,380	79,755,660
Interline commissions	128,610	113,162
Freight and Mail	786,110	915,871
Cancellation Income	447,882	300,277
No show fees and other charges	1,258,842	1,295,367
Fuel surcharge	25,259,321	14,657,708
Passenger tickets writback	14,122,130	-
<b>Total</b>	<b>139,111,275</b>	<b>97,038,045</b>
Direct expenditure	(105,495,971)	(93,240,451)
<b>Gross profit</b>	<b>33,615,304</b>	<b>3,797,594</b>
<b>Gross profit margin %</b>	<b>24%</b>	<b>4%</b>
Operating Profit (loss)	1,419,457	(2,971,158)
Loss before income tax	(21,098,642)	(26,940,584)
Income tax expense	(446,944)	(301,581)
<b>Loss for the year</b>	<b>(21,545,588)</b>	<b>(27,242,165)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(21,545,588)</b>	<b>(27,242,165)</b>

### OPERATING STATISTICS

	31 March 2018	31 March 2017
Passengers	474,247	408,807
Revenue Passenger Kilometre (RPK's) ('000)	214,841	194,791
Available Seats Kilometre (ASK's) ('000)	392,175	375,796
Passenger Load factor	55%	52%
Yield per RPK – Usc	20.00	18.33
Employees	356	436
ASK's per employee - '000	1,114	862
Revenue per employee - TZS'000	390,762	222,564
Loss per employee - TZS'000	(60,521)	(62,482)
Block hours	18,653	17,296
<b>Fleet size at year end</b>		
ATR 72 - 500	5	5
ATR 42 - 600	2	2
ATR 42 - 500	2	2
ATR 42 - 320	1	1
<b>Total numbers of aircraft</b>	<b>10</b>	<b>10</b>
<b>Grounded aircrafts (out of the above total fleet size)</b>		
ATR 42 - 320	1	1
ATR 42 - 600	2	2
<b>Total</b>	<b>3</b>	<b>3</b>

# PRECISION AIR SERVICES PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

### 1 INTRODUCTION

The Directors present their report together with the audited financial statements for the financial year ended 31 March 2018 which disclose the state of affairs of Precision Air Services Plc (the "Company") and its subsidiaries (together the "Group").

The financial statements for the year ended 31 March 2018 were approved and authorised for issue by directors as indicated on the statement of financial position.

### 2 INCORPORATION

The Company and its subsidiaries are incorporated in Tanzania.

### 3 GROUP'S VISION

"To be the airline of choice"

### 4 GROUP'S MISSION

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

### 5 PRINCIPAL ACTIVITIES

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

The Company flies to thirteen (2017: eleven) destinations within and outside Tanzania. (Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Kigoma, Tabora, Zanzibar, Nairobi, Musoma, Serengeti, Entebbe, Kahama).

One subsidiary; Precision Handling Limited carries out ground handling services in Dar es Salaam, Kilimanjaro, Mwanza and Arusha and presently serves only the company. The other Precision Systems Limited ceased operating by end of 2015 and is fully dormant.

### 6 PERFORMANCE FOR THE YEAR

#### Capacity Offered to Market

The Available Seats Kilometre (ASK) released to the market amounted to 392 million against a prior year level of 376 million, an increase of 4%.

#### Capacity Utilised

Total passengers carried in the network during the financial year was 474,247 compared to a prior year level of 408,807 thus an increase of 16% compared to prior year. The increase is mainly due to the increase of frequencies offered and the new routes launched during the year.

The Revenue Passenger Kilometre (RPK) achieved from the market was 215 million against prior year level of 195 million; thus an increase of 10% compared to prior year.

#### Yields

Yield per RPK achieved during the year was 20.00 US Cents (USc) compared to a prior year level of USc 18.33.

#### Profitability

Whereas the Company recorded a loss of TZS 21.4 billion during the year (2017: loss of TZS 29.8 billion); the Group recorded a loss of TZS 21.5 billion (2017: loss of TZS 27.2 billion). Detailed financial results of the Group and Company for the year are set out on page 17.

## **PRECISION AIR SERVICES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018**

#### **7 FUTURE DEVELOPMENTS AND PLANS**

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

- Review the entire network and create a mini HUB concept. This would improve the frequencies count and increase the number of available seats and also optimise the competitive range of the aircraft.
- Continue operationalization of the company's Strategic Thrust with the nine(9) focus areas into tangible action areas (232 in total) for visibility and accountability in implementation with clear timelines- reviewed and measured on a monthly/quarterly basis.
- Stabilization of the operations- continue with engine overhauls and recovery of BER engines to operate a minimum of 7 aircraft in order to enhance operational reliability;
- More selling on the online platform to improve the product distribution and reduce distribution costs.
- Conclude the PW/KQ JV agreement on the key routes i.e. NBO/DAR, NBO/JRO & NBO/ZNZ.
- Launch the domestic Tanzania and Kenya codeshares for KQ/PW for increased feed/deferred purposes.
- Pursue generation of additional revenues through active sell of the MRO services.
- Pursue additional revenue generation through the set-up of the ATO (Airline Training Organization) and increase the required skills sets in the country.
- Continue to pursue restructuring of the aircraft loan facility and entire balance sheet, and
- Continuous engagement of creditors to agree on payment plans based on paying ability of the company and in line with projected cash flows.

#### **8 STOCK EXCHANGE INFORMATION**

During the year, there was no fluctuation in the Company's share price. At the close of the financial year the Company's share was trading at the Dar es Salaam Stock exchange at TZS 470 per share (2017: TZS 470 per share).

#### **9 DIVIDENDS**

The Directors do not recommend payment of dividend (2017: Nil).

#### **10 SUBSEQUENT EVENTS**

Subsequent events are discussed on Note 36 of these financial statements.

#### **11 SOLVENCY AND GOING CONCERN EVALUATION**

The Group's state of affairs is set out on pages 18 and 19 of the financial statements.

The Group recorded a net loss of TZS 21.5 billion for the year ended 31 March 2018 (31 March 2017: loss of TZS 27.2 billion) and as at that date, the Group's current liabilities exceeded its current assets by TZS 426 billion (31 March 2017: TZS 418 billion). The Group was also in a shareholders' deficit position of TZS 270 billion as at that date (31 March 2017: TZS 249 billion).

Furthermore, the Company recorded a net loss of TZS 21.4 billion for the year ended 31 March 2018 (31 March 2017: loss of TZS 29.8 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 426 billion (31 March 2017: TZS 418 billion). The Company was also in a shareholders' deficit position of TZS 271 billion as at that date (31 March 2017: TZS 250 billion).

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

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

## PRECISION AIR SERVICES PLC

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

#### 11 SOLVENCY AND GOING CONCERN EVALUATION (CONTINUED)

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

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

#### 12 RELATED PARTY TRANSACTIONS

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

#### 13 CAPITAL STRUCTURE AND LONG TERM FINANCING

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

##### Authorised Share Capital

242,000,000 ordinary shares of TZS 20 each (2017: 242,000,000 ordinary shares of TZS 20 each).

##### Issued called up and fully paid share capital

160,472,720 ordinary shares of TZS 20 each (2017: 160,472,720 ordinary shares of TZS 20 each).

##### Share premium

The Company realised from the 2012 IPO, a share premium of TZS 10,491 million. There were no changes in the share premium during the year under review.

##### Long Term Loans

The Group is financed by loans amounting to TZS 324 billion as at year end (2017: TZS 316 billion). For more details, refer to Note 23 of the financial statements.

#### 14 SHAREHOLDING

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

Name	2018		2017	
	No. of shares	% Shareholding	No. of shares	% Shareholding
Michael N. Shirima	68,857,650	42.91	68,857,650	42.91
Kenya Airways Limited	66,157,350	41.23	66,157,350	41.23
Public	25,457,720	15.86	25,457,720	15.86
	<b>160,472,720</b>	<b>100.00</b>	<b>160,472,720</b>	<b>100.00</b>

## PRECISION AIR SERVICES PLC

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

#### 14 SHAREHOLDING (CONTINUED)

The distribution of shareholders as at 31 March 2018 were as follows:

<u>Name of shareholder</u>	<u>No. of shares</u>	<u>% Shares</u>	<u>Type</u>	<u>Nationality</u>
Michael N. Shirima	68,857,650	42.91%	Individual	Tanzanian
Kenya Airways Ltd	66,157,350	41.23%	Corporate	Kenyan
Precision Air Employee Share 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
Dhraj Chintan Kakkad	200,000	0.12%	Individual	Tanzanian
Pratish Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Than Investments Ltd	200,000	0.12%	Corporate	Tanzanian
NICOL (T) Ltd	200,000	0.12%	Corporate	Tanzanian
Others individually holding less than 0.12%	20,485,220	12.79%		
	<b>160,472,720</b>	<b>100.00%</b>		

#### 15 COMPOSITION OF THE BOARD OF DIRECTORS

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

<u>Name</u>	<u>Title</u>	<u>Age</u>	<u>Nationality</u>
Mr Michael N. Shirima	Chairman	74 years	Tanzanian
Mr Vincent M. Shirima	Director	42 years	Tanzanian
Mr. Sebastian Mikosz	Director	45 years	Polish
Mr. Avelyne Msaki	Director	43 years	Tanzanian
Mr. Vincent Coste (Resigned 10 August 2018)	Director	49 years	Kenyan
Ms. Hellen Muthoni Mathuka (Joined 20 March 2018)	Director	44 years	Kenyan
Mr. Abdulrahman Omar Kinana (Joined 18 April 2018)	Director	67 years	Tanzania
Mr Ron Schipher (Appointment Revoked 20 March 2018)	Director	71 years	Dutch
Mrs Elizabeth Minde Resigned 15 Feb 2018	Director	68 years	Tanzanian
Mr. Julius Ngunu Thairu (Appointed on 1 September 2018)	Director	43 years	Kenyan

The Group Company Secretary during the year was Mr. Migire Migire.

#### 16 DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

As shown in item 14 above, Mr. Michael N. Shirima holds 42.91% of the Company's issued ordinary share capital. None of the other directors holds an interest in the company.

#### 17 DIRECTORS' EMOLUMENTS

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

## **PRECISION AIR SERVICES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018**

#### **18 ORGANISATION STRUCTURE**

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

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

#### **19 KEY MANAGEMENT PERSONNEL OF THE GROUP**

The key management personnel who served the Group during the year ended 31 March 2018 were:

Ms Sauda Rajab	- Group Managing Director & CEO
Mr Ely Osewe	- Head of Finance and Information Systems
Mr Robert Owusu	- Head of Commercial and Ground Services
Ms Reynada Sikira	- Head of Human Resources
Mr Ngambi Mamuya	- Head of Operations (Resigned on 30 <sup>th</sup> March 2018)
Mr Peter Fiwa	- Head of Operations (Appointed on 1 <sup>st</sup> April 2018)
Mr Gennaro Scureza	- Head of Technical (Retired on 31 <sup>st</sup> March 2017)
Mr Pablo Alves	- Head of Technical (Appointed on 1 <sup>st</sup> September 2017)
Mr Patrick Mwanri	- Head Quality and Safety
Ms Anale John	- Head of Internal Audit
Mr Migire Migire	- Chief Legal Counsel and Company Secretary

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 significant accounting policies, which are laid out under note 3 of the financial statements are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

#### **21 INVESTMENTS**

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

#### **22 ACQUISITIONS AND DISPOSALS**

There was no material disposal or acquisition of business during year 2018 (2017: Nil). Acquisitions and disposals of property and equipment are disclosed on Note 13 of the financial statements.

#### **23 POLITICAL AND CHARITABLE DONATIONS**

There were no contributions to community projects and other charitable organizations during the year (2017: TZS 4.4 Million). No political donations were made during the year (2017: Nil).

## **PRECISION AIR SERVICES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018**

#### **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 and life insurance for all staff on permanent and contract terms.

##### **Financial Assistance to Staff**

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

##### **Retirement Benefits**

All of the Group employees are members of either the National Social Security Fund ("NSSF"), Parastatal Pension Fund ("PPF"), Public Service Pension Fund ("PSPF"), Local Authorities Pension Fund ("LAPF") or Government Employees Provident Fund ("GEPF"). PPF, PSPF, LAPF and GEPF have now merged to form Public Service Social Security Fund (PSSSF) which was established under the Public Social Service Act, 2018. The Group and employees both contribute 10% of the employees' gross salaries to the pension schemes.

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

The number of employees in the Group at the end of year totalled 356 as compared to 436 at the end of year ended 31 March 2017.

#### **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 2018, the Group had 233 (65%) male and 123 (35%) female employees (2017: 277 (64%) male and 159 (36%) female employees).

#### **26 DISABLED PERSONS**

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

## **PRECISION AIR SERVICES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018**

#### **27 STATEMENT OF CORPORATE GOVERNANCE**

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

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

#### **Board of Directors**

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

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

#### **Committees of the Board**

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

#### **Internal controls**

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

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

#### **Code of ethics**

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

#### **Directors' emoluments and loans**

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2018 are disclosed in Note 25 (b) of the financial statements. Neither at the end of the financial year nor at any time during the year was there any arrangement to which the Group is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares. There were no directors' loans at any time during the year.

**PRECISION AIR SERVICES PLC**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2018**

**28 CORPORATE SOCIAL RESPONSIBILITY**

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

**29 SECRETARY TO THE BOARD**

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

**30 STATEMENT OF COMPLIANCE**

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

**31 AUDITOR**

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

A resolution proposing the reappointment of PricewaterhouseCoopers as auditors of the Company for the period ending 31 December 2018 will be put to the Annual General Meeting.

**BY THE ORDER OF THE BOARD**



Name Michael Shirima

Title Chairperson



Name Avelyne Msaki

Title Director

16 April 2019  
Date

16 April 2019  
Date

## PRECISION AIR SERVICES PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2018

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

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

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

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

Signed on behalf of the Board of Directors by:



---

Name Michael Shirima

Title Chairperson



---

Name Avelyne Msaki

Title Director

16 April 2019

---

Date

16 April 2019

---

Date

## PRECISION AIR SERVICES PLC

### DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 31 MARCH 2018

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility of the preparation of financial statements rests with the Board of Directors as declared under the Directors' Responsibility statement on page 11.

I, DEUSDEDI ARON MUSA, being the Head of Finance of Precision Air Services Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 March 2018 have been prepared in compliance with the International Financial Reporting Standards (IFRS) and Companies Act No.12 of 2002.

I, thus confirm that the financial statements give a true and fair view position of Precision Air Services Plc as on that date and that it has been prepared based on properly maintained financial records.

Signed By:



Name; DEUSDEDI MUSA

Date 6 - APRIL - 2019

Head of Finance

NBAA Membership No. ALPA 2132

# *Independent auditor's report*

## *To the Members of Precision Air Services Plc*

### *Report on the audit of the Group and Company financial statements*

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#### *Our opinion*

In our opinion, the Group and Company financial statements give a true and fair view of the Group and Company financial position of Precision Air Services Plc (the Company) and its subsidiaries (together the Group) as at 31 March 2018, and of the Group and Company financial performance and the Group and Company cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

#### **What we have audited**

The Precision Air Services Plc's Group and Company financial statements as set out on pages 17 to 71 comprise:

- the Group and Company statements of financial position as at 31 March 2018;
  - the Group and Company statements of profit or loss and other comprehensive income for the year then ended;
  - the Group and Company statements of changes in equity for the year then ended;
  - the Group and Company statements of cash flows for the year then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
- 

#### *Basis for opinion*

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

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

#### **Independence**

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

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#### *Material uncertainty related to going concern*

We draw attention to Notes 2 of the financial statements, which shows that:

1. The Group;
  - had its current liabilities exceed its current assets at 31 March 2018 by TZS 426 billion (31 March 2017: TZS 418 billion); and that
  - it was also in a shareholders' deficit position at 31 March 2018 of TZS 270 billion (31 March 2017: TZS 249 billion).
2. The Company;
  - had its current liabilities exceed its current assets at 31 March 2018 by TZS 426 billion (31 March 2017: TZS 418 billion); and that
  - it was also in a shareholders' deficit position at 31 March 2017 of TZS 271 billion (31 March 2017: TZS 250 billion).
3. There are significant uncertainties in the profitability and cash flow projections prepared as a basis for adopting the going concern concept of preparing financial statements.

We also draw attention to Notes 4 (a) to these financial statements which explains that there is no reliable basis for developing a reliable liquidity risk profile for most of the borrowings as required by IFRS 7.

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

## *Independent auditor's report (continued)*

### *To the Members of Precision Air Services Plc*

#### *Report on the audit of the Group and Company financial statements (continued)*

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##### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group and Company financial statements of the current period. These matters were addressed in the context of our audit of the Group and Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<i>Revenue recognition – completeness and accuracy of revenue recorded</i>	
There is an inherent risk around the completeness and accuracy of revenue and sales in advance of carriage recorded. This arises from the high volume of transactions, the number of accounts involved in the transaction flow and the manual interventions between the underlying operational systems and the general ledger.	We assessed and tested the design and operating effectiveness of the Information Technology (IT) general controls over the general ledger.  We carried out substantive testing on revenue and sales in advance of carriage for occurrence, completeness and accuracy.
Refer to Note 3 (e) on accounting policy on revenue recognition and Note 6 for disclosures on revenue.	We obtained and tested the tickets written back into revenue for appropriateness and accuracy and tested the journals passed to recognize the write back.

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##### *Other information*

The directors are responsible for the other information. The other information comprises corporate information, highlights for the year ended 31 March 2018, directors' report, statement of directors' responsibilities and the declaration of the head of finance which we obtained prior to the date of this auditor's report, and other information that will be included in the Annual Report which is expected to be made available to us after the date of this auditor's report. Other information does not include the Group and Company financial statements and our auditor's report thereon.

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

In connection with our audit of the Group and Company financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Group and Company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information that will be included in the Annual Report which is expected to be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request them to take appropriate corrective measures.

*Independent auditor's report (continued)*  
*To the Members of Precision Air Services Plc*  
*Report on the audit of the Group and Company financial statements*  
*(continued)*

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*Responsibilities of the directors for the Group and Company financial statements*

The directors are responsible for the preparation of the Group and Company financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of Group and Company financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's financial reporting process.

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*Auditor's responsibilities for the audit of the Group and Company financial statements*

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

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

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

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

*Independent auditor's report (continued)*  
*To the Members of Precision Air Services Plc*

*Report on the audit of the Group and Company financial statements (continued)*

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*Auditor's responsibilities for the audit of the Group and Company financial statements (continued)*

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

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

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*Report on other legal and regulatory requirements*

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

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

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Patrick Kiambi, TACPA – PP

**For and on behalf of PricewaterhouseCoopers**

Certified Public Accountants

Dar es Salaam

Date: 30 April 2019

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<u>Note</u>	<u>Group</u> <u>31 March 2018</u> TZS '000	<u>Group (Restated)</u> <u>Note 35</u> <u>31 March 2017</u> TZS '000	<u>Company</u> <u>31 March 2018</u> TZS '000	<u>Company (Restated)</u> <u>Note 35</u> <u>31 March 2017</u> TZS '000
Revenue	6	139,111,275	97,038,045	139,111,275	97,038,045
Cost of sales	7, 35	(105,495,971)	(93,240,451)	(105,495,971)	(93,240,451)
Gross Profit		33,615,304	3,797,594	33,615,304	3,797,594
Other income	8	10,318,560	497,019	10,318,560	497,019
Marketing expenses	9	(1,682,592)	(1,691,296)	(1,682,592)	(1,691,296)
Net increase in impairment provisions for trade receivables	18	(4,210,905)	(198,673)	(4,210,905)	(2,964,126)
Administrative expenses	10, 35	(35,595,086)	(25,452,165)	(35,455,954)	(25,255,598)
Impairment/(reversal of impairment) loss on aircrafts	13	(1,025,824)	10,337,838	(1,025,824)	10,337,838
Reversal of fair value loss on aircrafts	34	-	9,738,525	-	9,738,525
Operating profit (loss)		1,419,457	(2,971,158)	1,558,589	(5,530,044)
Finance costs	11, 35	(20,846,515)	(20,676,997)	(20,846,515)	(20,676,997)
Loss on foreign currency exchange	12, 35	(1,671,584)	(3,292,429)	(1,671,584)	(3,292,429)
Loss before income tax		(21,098,642)	(26,940,584)	(20,959,510)	(29,499,470)
Income tax expense	21(b)	(446,944)	(301,581)	(446,944)	(301,581)
Loss for the year		(21,545,586)	(27,242,165)	(21,406,454)	(29,801,051)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss</b>		<b>(21,545,586)</b>	<b>(27,242,165)</b>	<b>(21,406,454)</b>	<b>(29,801,051)</b>
Basis and diluted earnings per share (TZS)	31	(134.26)	(169.76)	(133.40)	(185.71)

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**STATEMENTS OF FINANCIAL POSITION**

	<u>Group</u> <u>31 March 2018</u> <u>TZS '000</u>	<u>Group</u> <u>31 March 2017</u> <u>TZS '000</u>	<u>Company</u> <u>31 March 2018</u> <u>TZS '000</u>	<u>Company</u> <u>31 March 2017</u> <u>TZS '000</u>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	156,102,954	168,720,423	155,529,205	168,007,867
Intangible assets	731,689	682,638	525,529	476,493
Other non-current financial assets	-	7,966	-	7,966
	<u>156,834,623</u>	<u>169,411,027</u>	<u>156,054,734</u>	<u>168,492,326</u>
<b>Current assets</b>				
Inventories	9,118,769	9,829,142	9,118,769	9,829,142
Trade and other receivables	9,014,819	7,546,080	9,014,819	7,598,659
Prepayments	210,398	127,008	210,398	127,008
Other current financial assets	2,235,440	1,683,793	2,235,440	1,683,793
Cash and short-term deposits	604,937	736,278	604,937	683,379
	<u>21,184,363</u>	<u>19,922,301</u>	<u>21,184,363</u>	<u>19,921,981</u>
<b>TOTAL ASSETS</b>	<u>178,018,986</u>	<u>189,333,328</u>	<u>177,239,097</u>	<u>188,414,307</u>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

**EQUITY AND LIABILITIES**

	<u>Notes</u>	<u>Group 31 March 2018 TZS '000</u>	<u>Group 31 March 2017 TZS '000</u>	<u>Company 31 March 2018 TZS '000</u>	<u>Company 31 March 2017 TZS '000</u>
<b>Equity</b>					
Share capital	22	3,209,454	3,209,454	3,209,454	3,209,454
Share premium	22	10,490,987	10,490,987	10,490,987	10,490,987
Accumulated losses		(283,829,546)	(262,283,960)	(284,609,435)	(263,202,981)
		(270,129,105)	(248,583,519)	(270,908,994)	(249,502,540)
<b>Non Current liabilities</b>					
Borrowings	23	661,218	-	661,218	-
<b>Current liabilities</b>					
Borrowings	23	323,685,747	315,750,972	323,685,747	315,750,972
Trade and other payables	24	65,447,882	75,055,709	65,447,882	75,055,709
Provisions		40,502,429	22,266,717	40,502,429	22,266,717
Sales in advance of carriage		16,162,693	23,202,273	16,162,693	23,202,273
Current income tax	21(a)	1,688,122	1,641,176	1,688,122	1,641,176
		447,486,873	437,916,847	447,486,873	437,916,847
<b>TOTAL LIABILITIES</b>		<b>448,148,091</b>	<b>437,916,847</b>	<b>448,148,091</b>	<b>437,916,847</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>178,018,986</b>	<b>189,333,328</b>	<b>177,239,097</b>	<b>188,414,307</b>

The financial statements on page 17 to 71 were approved by the board of directors and authorised for issue on 16 April 2019 and were signed on its behalf by:

Name: Michael Shirima

Title: Chairperson

Signature: 

Name: Avelupe Msaki

Title: Director

Signature: 

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**STATEMENTS OF CHANGES IN EQUITY**

<u>Group</u>	<u>Note 22 Issued Capital TZS '000</u>	<u>Note 22 Share premium TZS '000</u>	<u>Accumulated losses TZS '000</u>	<u>Total Equity TZS '000</u>
<b>Year ended 31 March 2018</b>				
At 1 April 2017	3,209,454	10,490,987	(262,283,960)	(248,583,519)
Loss for the year	-	-	(21,545,586)	(21,545,586)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(21,545,586)</b>	<b>(21,545,586)</b>
<b>At 31 March 2018</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(283,829,546)</b>	<b>(270,129,105)</b>
<b>Year ended 31 March 2017</b>				
At 1 April 2016	3,209,454	10,490,987	(235,041,795)	(221,341,354)
Loss for the year	-	-	(27,242,165)	(27,242,165)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(27,242,165)</b>	<b>(27,242,165)</b>
<b>At 31 March 2017</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(262,283,960)</b>	<b>(248,583,519)</b>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**STATEMENTS OF CHANGES IN EQUITY (CONTINUED)**

<u>Company</u>	<u>Note 22 Issued Capital TZS '000</u>	<u>Note 22 Share premium TZS '000</u>	<u>Accumulated losses TZS '000</u>	<u>Total Equity TZS '000</u>
<b>Year ended 31 March 2018</b>				
At 1 April 2017	3,209,454	10,490,987	(263,202,981)	(249,502,540)
Loss for the year	-	-	(21,406,454)	(21,406,454)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	-	-	<b>(21,406,454)</b>	<b>(21,406,454)</b>
<b>At 31 March 2018</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(284,609,435)</b>	<b>(270,908,994)</b>
<b>Year ended 31 March 2017</b>				
At 1 April 2016	3,209,454	10,490,987	(233,401,930)	(219,701,489)
Loss for the year	-	-	(29,801,051)	(29,801,051)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	-	-	<b>(29,801,051)</b>	<b>(29,801,051)</b>
<b>At 31 March 2017</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(263,202,981)</b>	<b>(249,502,540)</b>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**STATEMENTS OF CASH FLOWS**

	<u>Note</u>	<u>Group 31 March 2018 TZS '000</u>	<u>Group 31 March 2017 TZS '000</u>	<u>Company 31 March 2018 TZS '000</u>	<u>Company 31 March 2017 TZS '000</u>
<b>Operating activities</b>					
Loss before income tax		(21,098,642)	(26,940,584)	(20,959,510)	(29,499,470)
<i>Adjustments for:</i>					
Depreciation of property and equipment	13	26,383,798	23,540,126	26,244,990	23,343,921
Gain on disposal of property and equipment	8	(11,092)	(16,901)	(11,092)	(16,901)
Amortisation of intangible assets	14	114,727	102,745	114,727	102,745
Interest on borrowings	11	20,846,515	20,676,997	20,846,515	20,676,997
Other non cash expenses		-	451,054	-	-
Impairment of / (Reversal of impairment loss) of property and equipment	13	1,025,824	(10,337,838)	1,025,824	(10,337,838)
Reversal of fair value loss	34	-	(9,738,525)	-	(9,738,525)
<b>Net cash before working capital changes</b>		<b>27,261,130</b>	<b>2,262,926</b>	<b>27,261,454</b>	<b>(5,469,071)</b>
<i>Changes in working capital:</i>					
• Inventories		710,373	(1,497,477)	710,373	(1,497,477)
• trade and other receivables		(1,468,739)	394,960	(1,416,160)	3,610,463
• prepayments		(83,390)	(98,183)	(83,390)	(98,183)
• trade and other payables		(9,607,827)	(641,722)	(9,607,827)	(650,933)
• Provisions		18,235,712	7,736,372	18,235,712	7,736,372
• sales in advance of carriage		(7,039,580)	12,829,627	(7,039,580)	12,829,627
<b>Cash generated from operations</b>		<b>28,007,679</b>	<b>16,480,651</b>	<b>28,060,582</b>	<b>16,460,798</b>
Income tax paid	21(a)	(400,000)	(272,252)	(400,000)	(272,251)
<b>Net cash from operating activities</b>		<b>27,607,679</b>	<b>16,188,399</b>	<b>27,660,582</b>	<b>16,188,547</b>
<b>Investing activities</b>					
Acquisition of computer software	14	(163,758)	(360,986)	(163,763)	(360,986)
Aircraft security deposit – paid	16	(543,681)	-	(543,681)	-
Aircraft security deposit – refunded	16	-	2,413,023	-	2,413,023
Proceeds from sale of property and equipment		11,092	16,901	11,092	16,901
Purchase of property and equipment	13	(14,792,153)	(11,081,458)	(14,792,152)	(11,081,458)
<b>Net cash used in investing activities</b>		<b>(15,488,500)</b>	<b>(9,012,520)</b>	<b>(15,488,504)</b>	<b>(9,012,520)</b>
<b>Financing activities</b>					
Repayment of borrowings					
-Interest		(4,479,408)	(2,333,120)	(4,479,408)	(2,333,120)
-principal		(4,574,208)	(5,020,307)	(4,574,208)	(5,020,307)
-Proceeds from borrowings		1,798,992	-	1,798,992	-
<b>Net cash used in financing activities</b>		<b>(7,254,624)</b>	<b>(7,353,427)</b>	<b>(7,254,624)</b>	<b>(7,353,427)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>4,864,555</b>	<b>(177,548)</b>	<b>4,917,454</b>	<b>(177,400)</b>
Net realised foreign exchange on cash and cash equivalent		114,815	63,805	114,815	64,022
Cash and cash equivalents at start of the year		(11,200,000)	(11,086,257)	(11,252,899)	(11,139,521)
<b>Cash and cash equivalents at year end</b>	20	<b>(6,220,830)</b>	<b>(11,200,000)</b>	<b>(6,220,630)</b>	<b>(11,252,899)</b>

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 1 CORPORATE INFORMATION

The Company is incorporated in Tanzania under the Companies Act, No. 12 of 2002, as a limited liability Company and it is domiciled in Tanzania. The Company's shares are publicly traded at the Dar es Salaam Stock Exchange. The wholly owned subsidiaries, Precision Handling Limited and Precise Systems Limited were incorporated in Tanzania during the year 2010 and 2011 respectively and 99 % of their share capital is held by the Company. Precision Handling Limited provides ground handling services to Precision Air Services Plc and is yet to obtain a licence to also serve other airlines and Precise Systems Limited used to distribute the Galileo Reservation system to Airlines and Travel Agents in Tanzania. Precise systems is currently dormant.

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

#### Principal activities

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

#### 2 GOING CONCERN

The Group had its current liabilities exceed its current assets at 31 March 2018 by TZS 426 billion (31 March 2017: TZS 418 billion) and it was also in a shareholders' deficit position at 31 March 2018 of TZS 269 billion (31 March 2017: TZS 249 billion).

The Company had its current liabilities exceed its current assets at 31 March 2018 by TZS 426 billion (31 March 2017: TZS 418 billion) and it was also in a shareholders' deficit position at 31 March 2018 of TZS 271 billion (31 March 2017: TZS 250 billion).

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

The directors further take note of the fact that given the defaults and arrears on borrowings, the covenants applying to the loan agreements have not been honoured and therefore the lenders have the right to recall the said facilities. Thus the full amounts have been classified as current liabilities.

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

- a. A thorough review of the budgetary and forecasting process to ensure that appropriate assumptions have been considered in developing the Group's forecast.
- b. Consideration of the timing and uncertainty of the cash flows to reflect the underlying maturity of the liabilities and assets.
- c. A review of the Group's loan agreements and borrowing covenants – renegotiation of the aircraft loan and restructure the entire balance sheet.
- d. Consideration of the Group's financial adaptability.
- e. Review of possible exposures to contingent liabilities.
- f. Review of the Group's risk mitigation practices and their adequacy for business related risks such as interest rates, currency exchange rate risk and credit risk.
- g. Continuous improvement and tightening of credit controls to minimize credit losses.
- h. Review of other considerations relevant to business continuity such as maintenance of key suppliers and customers; maintenance of stable labour work force and key staff.
- i. Review of the stability of the Group's cost structure.
- j. Key areas of focus that include:
  - Review the entire network and create a mini HUB concept. This would improve the frequencies count and increase the number of available seats and also optimize the competitive range of the aircraft.
  - Continue operationalization of the company's Strategic Thrust with the nine(9) focus areas into tangible action areas (232 in total) for visibility and accountability in implementation with clear timelines- reviewed and measured on a monthly/quarterly basis.
  - More selling on the online platform to improve the product distribution and reduce distribution costs.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### GOING CONCERN (CONTINUED)

- Conclude the Precision/ Kenya Airways Joint venture (PW/KQ JV) agreement on the key routes i.e. NBO/DAR, NBO/JRO & NBO/ZNZ.
- Launch the domestic Tanzania and Kenya codeshares for KQ/PW for increased feed/deferred purposes.
- Pursue generation of additional revenues through active sell of the Maintenance Repair Overhaul MRO services.
- Pursue additional revenue generation through the set-up of the ATO (Airline Training Organization) and increase the required skills sets in the country.
- Continue to pursue restructuring of the aircraft loan facility and entire balance sheet, and
- Continuous engagement of creditors to agree on payment plans based on paying ability of the company and in line with projected cash flows.

For the year ended 31 March 2018 the directors and management took the following measures to address and mitigate the above conditions:

- Conducted a thorough assessment and review of the market (both domestic and regional), competition and competition trends and strengths and the potential impact. Directors are convinced that both the domestic Tanzanian market and the regional market present vast business opportunities that it can tap into by improving its production capacity and product offering.
- Continued to review and monitor the action plans as outlined in the Revised 5 year strategic plan and the budget for the 9 months ending 31 December 2018.
  - Review the entire network and create a mini HUB concept. This would improve the frequencies count and increase the number of available seats and also optimise the competitive range of the aircraft.
  - Improve production capacity by pursuing overhaul of the engines and recovery of BER engines in order to secure operations of a minimum of 7 aircraft (to increase to 8 by 2020) - ensuring reliability and superior product offering thereby getting an opportunity to attract more and higher yielding passengers.
  - Continue relentless focus on cost control and pursuit of efficiencies across all operating cost drivers, particularly in flight operations, technical and ground operations and all procurement spend.
  - Deepen the focus on alternative revenue streams into active sell of MRO services and set up of ATO (Airline Training Organization).
- Enhanced working relationship with partners for guaranteed supply of key operational services such as fuel and technical spares for maintenance, arrangement with Maintenance Repair Overhaul (MRO) for continued overhaul and recovery of engines through an instalment payment plan.
- Closure and settlement of some of the old debts through workable payment plans and negotiations.
- Pursue waiver of penalties and interest from lenders and other creditors. Already a waiver has been granted from the Government for some category of taxes.

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

For the year ending 31 March 2019, the following were the key sources of the uncertainties mentioned above:

- Passenger numbers of 513,985 to be carried for the year ending 31 March 2019 compared to actual passenger number of 474,247 for the year ended 31 March 2018. Passenger numbers carried for the 9 months to 31 December 2018 were 365,892 against a budget of 393,329.
- Achievement of significant cost reductions including:
  - Fuel costs – USD 506 per block hour for the year ending 31 March 2019 compared to USD 503 for the year ended on 31 March 2018. For the period ended 31 December 2018, the actual costs are USD 560 per unit against a budget of USD 508.
  - Commission expenses – USD 3.3 per passenger for the year ending 31 March 2019 compared to USD 3.3 for the year ended on 31 March 2018. and USD 3.4 for the 9 months to December 2018 against a budget of USD 3.2.
  - Distribution costs – Budgeted at USD 6.5 per passenger for the year ending on 31 March 2019 compared to actual distribution costs of USD 8 for the year ended on 31 March 2018 and USD 8 for the 9 months to December 2018 against a budget of USD 7.
- Achievement of significant working capital improvements beyond current levels.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 2. GOING CONCERN (CONTINUED)

*Key sources of uncertainties in the plans to mitigate the going concern risk (continued)*

- d) Successful conclusion of negotiations of debt (including arrears) repayment plans with lenders and other creditors. The principal and interest payments included in the cash flow projections in respect of borrowings are based on the projected cash generating ability of the Group rather than the contractual terms.
- e) Waiver of penalties and interest by lenders and other creditors.
- f) Through monthly legal notices, the lenders have been demanding for Precision Air Services Plc to immediately settle all amounts in arrears as well as notifying them of their intention to exercise all their rights under the borrowing agreements including but not limited to the termination of the aircraft leases and seeking compensation for liquidated damages.
- g) Impact of foreign currency exchange rate movements on the 2018/19 financial performance, financial position and cash flow projections which are prepared in USD.
- h) Projected cash generation of USD 7.4 million as at 31 March 2019. The cash generated from operations for the 9 months to 31 December 2018 is USD 9.4 million against a budget of USD 11.7 million.
- i) The impact of the new standards that come into effect for annual periods beginning on or after 1 January 2018 (IFRS 9 and IFRS 15) have not been factored into the forecasts as the directors are still assessing their impact.

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (a) Basis of preparation

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

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

##### Changes in accounting policies and disclosures

###### (i) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 April 2017:

**Amendments to IAS 7-Disclosure Initiative.** Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The amendments are effective for annual period beginning on or after 1 January 2017 and earlier application is permitted. Based on its adoption, there were no significant impact on the financial statements of the Company.

**Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 - Amendments made to IAS 12** in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

###### (ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (a) Basis of preparation (continued)

##### Changes in accounting policies and disclosures (continued)

##### *(ii) New standards and interpretations not yet adopted*

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

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The directors are currently assessing the impact of the standard.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The directors are currently assessing the impact of the standard.

IFRS 16, 'Leases' After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard.

The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment.

This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standards is effective for annual periods beginning 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time. The directors are currently assessing the impact of the standard.

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Consolidation – Subsidiaries

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

##### (c) Foreign currency translation

###### (i) Functional and presentation currency

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

###### (ii) Transactions and balances

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities at the statement of financial position date, which are expressed in foreign currencies, are translated into Tanzanian Shillings at the rates ruling at that date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings, payables, receivables, cash and cash equivalents and all other foreign exchange gains and losses are presented in the income statement within 'Loss on foreign currency exchange'

##### (d) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (e) Revenue

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

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

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

When passengers redeem awards or their entitlements expire, the incremental cost liability is reduced accordingly to reflect the outstanding obligations.

Unutilized expired tickets are recognized as revenue when the holder of the ticket is no longer entitled to the refund. All other revenues are recognized at the time the service is provided.

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

##### (f) Inventories

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (g) Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Major repairs of aircraft components – airframe, engines and landing gears are initially capitalized and depreciated on usage patterns up to the next overhaul.

Routine maintenance costs including annual airframe checks are written off to profit or loss in the accounting period in which they are incurred.

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

Aircraft*	%
Motor vehicles	6.75
Computers	20.00– 25.00
Furniture, equipment and structures	25.00– 33.33
Structures	12.50 25.00
	4.00- 25.00

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

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

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

##### (h) Leases

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (I) Intangible assets – Computer software

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

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

The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

##### (J) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis.

##### (k) Borrowing costs

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

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **(l) Cash and cash equivalents**

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

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

##### **(m) Employee benefits**

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

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

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

##### **(n) Financial assets**

###### *(i) Classification*

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

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

They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and other financial assets in the statement of financial position.

###### *(ii) Recognition and measurement*

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

###### *(iii) Offsetting financial instruments*

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

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (o) Impairment of financial assets

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

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

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

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

##### (p) Financial liabilities

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

##### (q) Borrowings

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (r) 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.

##### (s) Dividends

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (t) Taxation

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

##### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date. The current rate of corporation tax is 30% (2017: 30%).

##### Deferred tax

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

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

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

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

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

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

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (t) Taxation (continued)

###### Value added tax

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

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

##### (u) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

##### (v) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. As at year end, management commitment to a plan to sell the aircraft through sale and lease back ceased, appropriately the assets ceased to be classified as held for sale and were transferred back to property and equipment.

##### (w) Segment reporting

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

# **PRECISION AIR SERVICES PLC**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

### **NOTES (CONTINUED)**

#### **4 FINANCIAL RISK MANAGEMENT**

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

##### **a. Liquidity risk**

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

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a. Liquidity risk (continued)**

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

<u>Group</u>	On demand TZS' 000	Less than 1 year TZS' 000	1 to 5 years TZS'000	After 5 years TZS' 000	Total TZS' 000
<b>At 31 March 2018</b>					
Borrowings	322,693,920	991,827	661,218	-	324,346,965
Trade and other payables	-	27,460,678	-	-	27,460,678
	<b>322,693,920</b>	<b>28,452,505</b>	<b>661,218</b>	<b>-</b>	<b>351,807,643</b>
<b>At 31 March 2017</b>					
Borrowings	315,750,972	-	-	-	315,750,972
Trade and other payables	-	35,080,100	-	-	35,080,100
	<b>315,750,972</b>	<b>35,080,100</b>	<b>-</b>	<b>-</b>	<b>350,831,072</b>
<b>Company</b>					
<b>At 31 March 2018</b>					
Borrowings	322,693,920	991,827	661,218	-	324,346,965
Trade and other payables	-	27,460,678	-	-	27,460,678
	<b>322,693,920</b>	<b>28,452,505</b>	<b>661,218</b>	<b>-</b>	<b>351,807,643</b>
<b>At 31 March 2017</b>					
Borrowings	315,750,972	-	-	-	315,750,972
Trade and other payables	-	35,080,100	-	-	35,080,100
	<b>315,750,972</b>	<b>35,080,100</b>	<b>-</b>	<b>-</b>	<b>350,831,072</b>

The Group has defaulted on its debt obligations as stipulated in the debt agreements resulting in the "on demand" presentation above. Because of this default, the inability of the Group to generate cash that would be sufficient to settle arrears and instalment payments as per the debt agreements (refer to "Key sources of uncertainties in the plans to mitigate the going concern risk" on Note 2) and the on going discussions with the lenders on possible rescheduling of the borrowings, there is no reliable basis for developing a reliable liquidity risk profile for borrowings.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### b. Treasury risk management

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

##### c. Foreign currency risk

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

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

The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US dollar exchange rates and other currencies, with all other variables held constant, on profit before tax and equity.

	Increase/decrease in the value	Effect on profit before tax TZS'000	Effect on profit after tax TZS'000
<b><u>Group and Company</u></b>			
Net effect based on statement of financial position as at 31 March 2018	3%	9,541,891	6,679,324
Net effect based on statement of financial position as at 31 March 2017	3%	9,249,261	6,474,483

##### d. Interest rate risk

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

The following table demonstrates the sensitivity to possible changes in interest for Finfund loan portion, with all other variables held constant, on the Group's profit before tax and equity:  
Other loans and overdraft facilities have fixed interest rate and thus no interest sensitivity is required.

	Increase/decrease in interest rate	Effect on profit before tax TZS' 000'	Effect on profit after tax TZS' 000
<b><u>Group and Company</u></b>			
Net effect based on statement of financial position as at 31 March 2018	1%	239,816	167,871
Net effect based on statement of financial position as at 31 March 2017	1%	237,181	166,027

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### e. Credit risk management

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

The Group has a credit policy that is designed to ensure that consistent processes are in place throughout the Group to measure and control credit risk. Credit risk is considered as part of the risk-reward balance of doing business. On entering into any business contract, the extent to which the arrangement exposes the Group to credit risk is considered. Key requirements of the policy are formal delegated authorities to the sales and marketing teams to incur credit risk and to a specialized credit function to set counterparty limits. The credit risk management and control are centralised in the credit control team of the Company under Finance department and reported to the Board of Directors and heads of department regularly. Write offs and significant impairments including handing over for collection is ultimately approved by the board of directors following recommendation by the Heads of departments.

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

Trade receivables are presented net of allowance for doubtful debts. With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. The analysis of trade and other receivables (including the credit quality) is shown on Note 18. Cash and short term deposits are neither past due nor impaired. No collateral is held for financial assets that are neither past due nor impaired. There are no external or internal credit ratings for the financial assets.

##### Maximum exposure

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

	Group		Company	
	2018 TZS'000	2017 TZS'000	2018 TZS'000	2017 TZS'000
Cash and short-term deposits	604,937	736,278	604,937	683,379
Trade and other receivables	8,988,333	7,500,397	8,988,333	7,552,976
	<u>9,593,270</u>	<u>8,236,675</u>	<u>9,593,270</u>	<u>8,236,355</u>

##### f. Fuel price risk

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

#### 5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

##### i. Impairment of aircrafts

A decline in the value of aircraft could have a significant effect on the amount recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

##### *I. Impairment of aircrafts (continued)*

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.

Included in property and equipment are two aircrafts (ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a carrying value of TZS 36.7 billion that are currently unutilized as a result of defective engines. Impairment assessment on these aircrafts has been conducted with reference to their market half life prices at 31 March 2018. The engines being fully impaired, there are no other impairment recognised during the year.

##### *II. 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. Tickets that remain unused for a period exceeding 24 months are recognised in income. The income statement impact of the unused tickets writeback is disclosed under note 6 of the financial statements.

##### *III. Impairment of trade and other receivables*

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

##### *IV. Useful lives of property and equipment, and intangible assets*

Critical estimates are made by the Directors in determining the useful lives and residual values of property and equipment, and intangible assets based on the intended use of the asset and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. The useful lives of assets are disclosed in Note 3(g) and Note 3(i).

##### *V. Income taxes*

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

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**6 REVENUE**

	<u>Group 31 March 2018</u>	<u>Group 31 March 2017</u>	<u>Company 31 March 2018</u>	<u>Company 31 March 2017</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Passenger revenue	97,108,380	79,755,660	97,108,380	79,755,660
Passenger interline revenue	128,610	113,162	128,610	113,162
Freight and mail	786,110	915,871	786,110	915,871
Fuel surcharge	25,259,321	14,657,708	25,259,321	14,657,708
Cancellation income	447,882	300,277	447,882	300,277
Passenger tickets writeback	14,122,130	-	14,122,130	-
No show and other charges	1,258,842	1,295,367	1,258,842	1,295,367
	<u>139,111,275</u>	<u>97,038,045</u>	<u>139,111,275</u>	<u>97,038,045</u>

**7 COST OF SALES**

Fuel and oil	20,548,711	15,151,044	20,548,711	15,151,044
Lease of aircraft and engines	2,795,525	2,209,043	2,795,525	2,209,043
Aircraft landing, handling and navigation	10,872,717	8,460,507	10,872,717	8,460,507
Aircraft maintenance	15,188,992	16,183,353	15,188,992	16,183,353
Depreciation of aircraft and aircraft components	25,273,082	22,376,137	25,273,082	22,376,137
Passenger services	2,711,397	2,370,548	2,711,397	2,370,548
Commission on sales	3,625,708	3,040,553	3,625,708	3,040,553
Aircraft, passengers and cargo insurance	275,430	64,987	275,430	64,987
Crew route expenses	769,893	558,957	769,893	558,957
Centralised reservation systems	9,102,945	8,152,892	9,102,945	8,152,892
Salaries and wages	11,494,753	12,334,336	11,494,753	12,334,336
Other employment costs	1,854,831	1,362,870	1,854,831	1,362,870
Contribution to pension fund	678,103	669,562	678,103	669,562
Aircraft cleaning and certification	306,084	305,662	306,084	305,662
	<u>105,495,971</u>	<u>93,240,451</u>	<u>105,495,971</u>	<u>93,240,451</u>

**8 OTHER INCOME**

Gain on disposal of property and equipment	11,092	8,433	11,092	8,433
Third Party Maintenance	437,301	488,586	437,301	488,586
Write back of old credits	9,870,167	-	9,870,167	-
	<u>10,318,560</u>	<u>497,019</u>	<u>10,318,560</u>	<u>497,019</u>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

<b>9 MARKETING EXPENSES</b>	<b>Group 31 March 2018 TZS '000</b>	<b>Group 31 March 2017 TZS '000</b>	<b>Company 31 March 2018 TZS '000</b>	<b>Company 31 March 2017 TZS '000</b>
Advertising and publicity	1,682,391	1,688,542	1,682,391	1,688,542
Entertainment	201	2,754	201	2,754
	<u>1,682,592</u>	<u>1,691,296</u>	<u>1,682,592</u>	<u>1,691,296</u>
<b>10 ADMINISTRATIVE EXPENSES</b>				
Salaries and wages	6,516,469	6,124,011	6,516,469	6,124,011
Other employment costs	1,401,495	1,397,282	1,401,495	1,397,282
Contribution to pension fund	289,926	329,102	289,926	329,102
Payroll levies	968,029	998,664	968,029	998,664
Bank charges	219,556	205,509	219,235	205,144
Motor vehicle expenses	1,460,729	1,532,610	1,460,729	1,532,610
Legal and professional fees	1,208,004	919,529	1,208,004	919,529
Rent, maintenance and supplies	2,536,849	3,060,482	2,536,849	3,060,482
General specified expenses	19,716,163	9,561,559	19,716,160	9,561,562
Amortization of intangible assets	114,727	102,745	114,727	102,745
Board meeting expenses	52,423	56,683	52,423	56,683
Depreciation-motor vehicles, structure, computers, furniture and equipment	1,110,716	1,163,989	971,908	967,784
	<u>35,595,086</u>	<u>25,452,165</u>	<u>35,455,954</u>	<u>25,255,598</u>
<b>11 FINANCE COSTS</b>				
Interest on debts and borrowings	18,051,551	15,514,528	18,051,551	15,514,528
Foreign currency exchange loss on borrowings	2,794,964	5,162,469	2,794,964	5,162,469
	<u>20,846,515</u>	<u>20,676,997</u>	<u>20,846,515</u>	<u>20,676,997</u>
<b>12 FOREIGN CURRENCY LOSS/(GAIN)</b>				
(Gain)/ loss on cash and bank	(49,292)	55,512	(49,292)	55,512
Loss on other items	1,720,876	3,236,917	1,720,876	3,236,917
	<u>1,671,584</u>	<u>3,292,429</u>	<u>1,671,584</u>	<u>3,292,429</u>

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

**PRECISION AIR SERVICES PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**13 PROPERTY AND EQUIPMENT – GROUP**

	Aircraft and aircraft components		Motor Vehicles		Computers		Furniture, equipment & structures		Total	
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<u>Cost</u>										
At 1 April 2017	322,048,244	1,520,729	2,592,663	16,543,822			342,705,458			
Additions	14,297,245	161,059	314,461	19,388			14,792,153			
Disposals	-	(47,602)	-	-			(47,602)			
At 31 March 2018	336,345,489	1,634,186	2,907,124	16,563,210			357,450,009			
<u>Depreciation and impairment:</u>										
At 1 April 2017	166,746,145	1,334,895	2,112,286	3,791,709			173,985,035			
Charge for the year	25,273,082	70,232	136,918	903,566			26,383,798			
Impairment losses	1,025,824	-	-	-			1,025,824			
Disposals	-	(47,602)	-	-			(47,602)			
At 31 March 2018	193,045,051	1,357,525	2,249,204	4,695,275			201,347,055			
<u>Net book value</u>										
At 31 March 2018	143,300,439	276,661	657,919	11,867,935			156,102,954			
At 31 March 2017	155,302,099	185,834	480,377	12,752,113			168,720,423			

Refer to Note 23 for assets pledged as security. All aircraft and aircraft components are pledged as security for the Citibank International Plc, Finfund Industrial Co-operation loan, Export Development Canada (EDC) and Stanbic Bank Tanzania Limited as explained in Note 23. The aircraft hanger with a net book value of TZS 11 billion is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 23.

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**13 PROPERTY AND EQUIPMENT(CONTINUED) – GROUP**

	Aircraft and aircraft components	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>						
At 1 April 2016	221,311,205	1,348,988	2,459,058	14,199,545	133,815	239,452,611
Transfer from non current assets held for sale (Note 34)	92,688,805	-	-	-	-	92,688,805
Additions	8,048,234	188,741	133,605	2,710,878	-	11,081,458
Disposals	-	(17,000)	-	-	-	(17,000)
Transfer from work in progress	-	-	-	(366,601)	(133,815)	(133,815)
Other adjustments	-	-	-	-	-	(366,601)
<b>At 31 March 2017</b>	<b>322,048,244</b>	<b>1,520,729</b>	<b>2,592,663</b>	<b>16,543,822</b>	<b>-</b>	<b>342,705,458</b>
<b>Depreciation and impairment:</b>						
At 1 April 2016	118,246,247	1,195,874	2,028,150	2,867,877	-	124,338,148
Transfer from non current assets held for sale (Note 34)	36,461,599	-	-	-	-	36,461,599
Charge for the year	22,376,137	156,021	84,136	923,832	-	23,540,126
Reversal of impairment*	(10,337,838)	-	-	-	-	(10,337,838)
Disposals	-	(17,000)	-	-	-	(17,000)
<b>At 31 March 2017</b>	<b>166,746,145</b>	<b>1,334,895</b>	<b>2,112,286</b>	<b>3,791,709</b>	<b>-</b>	<b>173,985,035</b>
<b>Net book value</b>						
At 31 March 2017	155,302,099	185,834	480,377	12,752,113	-	168,720,423
At 31 March 2016	103,064,958	153,114	430,908	11,331,668	133,815	115,114,463

Refer to Note 23 for assets pledged as security. All aircraft and aircraft components are pledged as security for the Citibank International Plc, Finfund Industrial Co-operation loan, Export Development Canada (EDC) and Stanbic Bank Tanzania Limited as explained in Note 23. The aircraft hanger with a net book value of TZS 11 billion is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 23.

\* The contemplated transaction that triggered the impairment at 31 March 2015 was no longer under consideration resulting in the reversal.

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**13 PROPERTY AND EQUIPMENT(CONTINUED) – COMPANY**

<u>Cost</u>	<u>Aircraft and aircraft components</u>	<u>Motor vehicles</u>	<u>Computers</u>	<u>Furniture, equipment &amp; structures</u>	<u>Total</u>
	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>
At 1 April 2017	322,048,244	1,492,934	1,501,948	14,709,729	339,752,855
Additions	14,297,244	161,059	314,461	19,388	14,792,152
Disposals	-	(47,602)	-	-	(47,602)
<b>At 31 March 2018</b>	<b>336,345,488</b>	<b>1,606,391</b>	<b>1,816,409</b>	<b>14,729,117</b>	<b>354,497,405</b>
<u>Depreciation and impairment:</u>					
At 1 April 2017	166,746,145	1,307,974	1,354,904	2,335,965	171,744,990
Charge for the year	25,273,082	70,232	136,921	764,755	26,244,990
Impairment losses	1,025,824	-	-	-	1,025,824
Disposals	-	(47,602)	-	-	(47,602)
<b>At 31 March 2018</b>	<b>193,045,051</b>	<b>1,330,604</b>	<b>1,491,825</b>	<b>3,100,720</b>	<b>198,968,200</b>

Net book value

At 31 March 2018

At 31 March 2017

143,300,435

275,787

324,586

11,628,398

155,529,205

155,302,099

184,960

147,044

12,373,764

168,007,867

Refer to Note 23 for assets pledged as security. All aircraft and aircraft components are pledged as security for the Citibank International Plc, Firfund Industrial Co-operation loan, Export Development Canada (EDC) and Stanbic Bank Tanzania Limited as explained in Note 23. The aircraft hanger with a net book value of TZS 11 billion is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 23.

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
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**NOTES (CONTINUED)**

**13 PROPERTY AND EQUIPMENT(CONTINUED) – COMPANY**

	Aircraft and aircraft components TZS '000	Motor vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress TZS '000	Total TZS '000
<b>Cost</b>						
At 1 April 2016	221,311,205	1,321,193	1,368,343	11,998,851	133,815	236,133,407
Transfer from non current assets held for sale (Note 34)	92,688,805	-	-	-	-	92,688,805
Additions	8,048,234	188,741	133,605	2,710,878	-	11,081,458
Disposals	-	(17,000)	-	-	-	(17,000)
Transfer to Intangible assets (Note 14)	-	-	-	-	(133,815)	(133,815)
<b>At 31 March 2017</b>	<b>322,048,244</b>	<b>1,492,934</b>	<b>1,501,948</b>	<b>14,709,729</b>	<b>-</b>	<b>339,752,855</b>
<b>Depreciation and impairment:</b>						
At 1 April 2016	118,246,247	1,168,953	1,270,768	1,608,338	-	122,294,306
Transfer from non current assets held for sale (Note 34)	36,461,599	-	-	-	-	36,461,599
Charge for the year	22,376,137	156,021	84,136	727,627	-	23,343,921
Reversal of impairment*	(10,337,838)	-	-	-	-	(10,337,838)
Disposals	-	(17,000)	-	-	-	(17,000)
<b>At 31 March 2017</b>	<b>166,746,145</b>	<b>1,307,974</b>	<b>1,354,904</b>	<b>2,335,965</b>	<b>-</b>	<b>171,744,988</b>
<b>Net book value</b>						
At 31 March 2017	155,302,099	184,960	147,044	12,373,764	-	168,007,867
At 31 March 2016	103,064,958	152,240	97,575	10,390,513	133,815	113,839,101

Refer to Note 23 for assets pledged as security. All aircraft and aircraft components are pledged as security for the Citibank International Plc, Firfund Industrial Co-operation loan, Export Development Canada (EDC) and Stanbic Bank Tanzania Limited as explained in Note 23. The aircraft hanger with a net book value of TZS 11 billion is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 23.

\* The contemplated transaction that triggered the impairment at 31 March 2015 was no longer under consideration resulting in the reversal.

**PRECISION AIR SERVICES PLC**

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**NOTES (CONTINUED)**

14 INTANGIBLE ASSETS GROUP	Computer software TZS '000	Work in progress TZS '000	Total TZS '000
<b><u>Cost</u></b>			
At 1 April 2017	1,721,179	-	1,721,179
Additions	37,377	126,381	163,758
<b>At 31 March 2018</b>	<b>1,758,556</b>	<b>126,381</b>	<b>1,884,937</b>
<b><u>Accumulated amortisation</u></b>			
At 1 April 2017	1,038,541	-	1,038,541
Charge for the year	114,727	-	114,727
<b>At 31 March 2018</b>	<b>1,153,268</b>	<b>-</b>	<b>1,153,268</b>
<b>Carrying amount</b>	<b>605,288</b>	<b>126,381</b>	<b>731,669</b>
 <b>INTANGIBLE ASSETS GROUP</b>			
	Computer software TZS '000	Work in progress TZS '000	Total TZS '000
<b><u>Cost</u></b>			
At 1 April 2016	1,226,378	-	1,226,378
Transfer from property and equipment	133,815	-	133,815
Additions	360,986	-	360,986
<b>At 31 March 2017</b>	<b>1,721,179</b>	<b>-</b>	<b>1,721,179</b>
<b><u>Accumulated amortisation</u></b>			
At 1 April 2016	935,796	-	935,796
Charge for the year	102,745	-	102,745
<b>At 31 March 2017</b>	<b>1,038,541</b>	<b>-</b>	<b>1,038,541</b>
<b>Carrying amount</b>	<b>682,638</b>	<b>-</b>	<b>682,638</b>

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**NOTES (CONTINUED)**

<b>14 INTANGIBLE ASSETS - COMPANY</b>	<b>Computer software TZS '000</b>	<b>Work in progress TZS '000</b>	<b>Total TZS '000</b>
<b><u>Cost</u></b>			
At 1 April 2017	1,467,021	-	1,467,021
Additions	37,377	126,386	163,763
<b>At 31 March 2018</b>	<b>1,504,398</b>	<b>126,386</b>	<b>1,630,784</b>
<b><u>Accumulated amortisation</u></b>			
At 1 April 2017	990,528	-	990,528
Charge for the year	114,727	-	114,727
<b>At 31 March 2018</b>	<b>1,105,255</b>	<b>-</b>	<b>1,105,255</b>
<b>Carrying amount</b>	<b>399,143</b>	<b>126,386</b>	<b>525,529</b>
 <b>INTANGIBLE ASSETS COMPANY</b>			
	<b>Computer software TZS '000</b>	<b>Work in progress TZS '000</b>	<b>Total TZS '000</b>
<b><u>Cost</u></b>			
At 1 April 2016	972,220	-	972,220
Transfer from property and equipment	133,815	-	133,815
Additions	360,986	-	360,986
<b>At 31 March 2017</b>	<b>1,467,021</b>	<b>-</b>	<b>1,467,021</b>
<b><u>Accumulated amortisation</u></b>			
At 1 April 2016	910,380	-	910,380
Charge for the year	102,745	-	102,745
Prior year balances	(22,597)	-	(22,597)
<b>At 31 March 2017</b>	<b>990,528</b>	<b>-</b>	<b>990,528</b>
<b>Carrying amount</b>	<b>476,493</b>	<b>-</b>	<b>476,493</b>

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 15 INVESTMENT IN SUBSIDIARIES

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

- Precision Handling Limited was incorporated in Tanzania during the year 2010 and 99% of its share capital is to be held by the Company. The subsidiary provides ground handling services to Precision Air Services Plc and is yet to obtain a licence to also serve other airlines. The subsidiary's share capital is yet to be allotted and paid pending obtaining of licence to serve third parties. Hence the contribution received from Precision Air services Plc is held as a due to parent.
- Precise Systems Limited was incorporated in Tanzania on 25 August 2011 and 100% of its share capital is held by the Company. The subsidiary used to distribute the Galileo Reservation system to Airlines and Travel Agents in Tanzania. The Subsidiary commenced operations on 1 July 2012 and stopped operations in 2015.
- Precise numbers were therefore deconsolidated from the group since financial year ended 31 March 2017.

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

	<u>Total assets</u> TZS '000	<u>Total liabilities</u> TZS '000	<u>Revenue</u> TZS '000	<u>Loss</u> TZS '000
<b><u>Year ended 31 March 2018</u></b>				
Precision Handling Limited	<u>576,133</u>	<u>2,755,453</u>	<u>-</u>	<u>139,1312</u>
Precise Systems Limited	<u>1,201,838</u>	<u>148,534</u>	<u>-</u>	<u>-</u>
<b><u>Year ended 31 March 2017</u></b>				
Precision Handling Limited	<u>767,843</u>	<u>2,808,032</u>	<u>-</u>	<u>(196,567)</u>
Precise Systems Limited	<u>1,201,838</u>	<u>148,534</u>	<u>-</u>	<u>-</u>

It is the Company's policy that subsidiaries, whose financial performances and financial positions are not material, are not consolidated as at 31 March 2018 and 31 March 2017. Precise systems Limited has therefore not been consolidated.

In terms of contingent liabilities, there is an outstanding legal case between Precise Systems Limited (PSL) Vs TP Services Limited and Travelport International Limited. PSL instituted a suit at the High Court of Tanzania claiming against both Defendants, jointly and severally, are for the payment of USD 1,107,341 being outstanding commission fees due from June to November 2015 and TZS 171,350,000 being a total value of unreturned equipments as at 1<sup>st</sup> March 2016 and USD 128,000 being the lease costs for unreturned computer equipments beyond 28<sup>th</sup> February 2016, plus interest and other damages thereto. There are no other contingent liabilities.

**PRECISION AIR SERVICES PLC**

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**NOTES (CONTINUED)**

**16 OTHER FINANCIAL ASSETS**

	<b>Group</b> <b>31 March 2018</b> TZS '000	<b>Group</b> <b>31 March 2017</b> TZS '000	<b>Company</b> <b>31 March 2018</b> TZS '000	<b>Company</b> <b>31 March 2017</b> TZS '000
SITA Global Investment	-	7,966	-	7,966
IATA security deposit	78	2,136	78	2,136
Credit card security deposit	1,564,142	1,019,860	1,564,142	1,019,860
Aircraft security deposit	671,220	661,797	671,220	661,797
	<b>2,235,440</b>	<b>1,691,759</b>	<b>2,235,440</b>	<b>1,691,759</b>
Current portion	2,235,440	1,683,793	2,235,440	1,683,793
Non-current portion	-	7,966	-	7,966
	<b>2,235,440</b>	<b>1,691,759</b>	<b>2,235,440</b>	<b>1,691,759</b>

Other assets relate to cash deposited by the company to third parties. These deposits do not attract any interest. The credit card security deposits are deposits held by the card companies against the chargebacks from card holders. Aircraft security deposits are the deposits kept by ATR for the purchase of an aircraft. While the above are held at amortised cost, their fair value approximate their carrying values due to their relatively short term nature.

The movement in deposit is as follows:

	<b>Group</b> <b>31 March 2018</b> TZS '000	<b>Group</b> <b>31 March 2017</b> TZS '000	<b>Company</b> <b>31 March 2018</b> TZS '000	<b>Company</b> <b>31 March 2017</b> TZS '000
At start of the year	1,691,759	4,104,782	1,691,759	4,104,782
Additional deposit/ (refund)	336,317	(2,395,858)	336,317	(2,395,858)
Foreign exchange movement	207,364	(17,165)	207,364	(17,165)
At the end of the year	<b>2,235,440</b>	<b>1,691,759</b>	<b>2,235,440</b>	<b>1,691,759</b>

**17 INVENTORIES**

Aircraft spare parts	9,145,124	9,528,441	9,145,124	9,528,441
Fuel and stationeries	467,725	524,552	467,725	524,552
Stock provisions	(494,080)	(223,851)	(494,080)	(223,851)
	<b>9,118,769</b>	<b>9,829,142</b>	<b>9,118,769</b>	<b>9,829,142</b>

The Inventory are pledged as floating security for Stanbic overdraft facility with the company.

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

<b>18 TRADE AND OTHER RECEIVABLES</b>	<b>Group 31 March 2018 TZS '000</b>	<b>Group 31 March 2017 TZS '000</b>	<b>Company 31 March 2018 TZS '000</b>	<b>Company 31 March 2017 TZS '000</b>
Trade receivables - third party	63,486,069	57,714,199	63,486,069	57,714,199
Less allowance credit Losses	<u>(55,376,574)</u>	<u>(51,462,547)</u>	<u>(55,376,574)</u>	<u>(51,462,547)</u>
Net receivables – third party	8,109,495	6,251,652	8,109,495	6,251,652
Trade receivables – related party [Note 25 (e)]	-	-	2,755,453	2,808,032
Less allowances for credit losses	-	-	<u>(2,755,453)</u>	<u>(2,755,453)</u>
Net receivable – related party	-	-	-	52,579
Other receivables	878,837	951,867	878,837	951,867
Advances to suppliers	26,486	45,683	26,486	45,683
Staff loans, advances and Imprest	296,878	296,878	296,878	296,878
Less allowances for credit losses - Other debtors	<u>(296,878)</u>	-	<u>(296,878)</u>	-
Net other receivables	<u>905,324</u>	<u>1,294,428</u>	<u>905,324</u>	<u>1,294,428</u>
Net trade and other receivables	<u>9,014,819</u>	<u>7,546,080</u>	<u>9,014,819</u>	<u>7,598,659</u>
<b><u>Movement in allowance account</u></b>				
At start of year:	51,462,547	51,263,874	54,218,000	51,263,874
Additions	<u>4,210,905</u>	<u>198,673</u>	<u>4,210,905</u>	<u>2,954,126</u>
At end of the year	<u>55,673,452</u>	<u>51,462,547</u>	<u>58,428,905</u>	<u>54,218,000</u>
<b><u>Trade receivables age analysis</u></b>				
Neither past due nor impaired	5,826,716	3,618,241	5,826,716	3,618,241
Past due but not impaired	2,282,779	2,633,411	2,282,779	2,633,411
Overdue and fully impaired	<u>55,376,574</u>	<u>51,462,547</u>	<u>55,376,574</u>	<u>51,462,547</u>
	<u>63,486,069</u>	<u>57,714,199</u>	<u>63,486,069</u>	<u>57,714,199</u>

No collateral is held for the trade and other receivables.

Out of the total credit allowance held for third party receivables as at 31 March 2018 indicated above, TZS 50.8 billion (2017; TZS 46.3 billion) was held as a result of unreconciled balances due to the historical challenges leading to backlog processing.

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

	<b>Group 31 March 2018 TZS '000</b>	<b>Group 31 March 2017 TZS '000</b>	<b>Company 31 March 2018 TZS '000</b>	<b>Company 31 March 2017 TZS '000</b>
United States Dollars	3,934,596	2,589,500	3,934,596	2,589,500
Euro	1,023	364,800	1,023	364,800
Sterling Pound	325,100	56,104	325,100	56,104
Canadian Dollars	744,499	141,914	744,499	141,914
South African Rand	48,559	54,969	48,559	54,969
Kenya Shillings	<u>39,261</u>	<u>57,913</u>	<u>39,261</u>	<u>57,913</u>
	<u>5,093,038</u>	<u>3,265,200</u>	<u>5,093,038</u>	<u>3,265,200</u>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
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**NOTES (CONTINUED)**

19 PREPAYMENTS	Group		Company	
	<u>31 March 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Prepaid insurance	48,170	43,025	48,170	43,025
Prepaid spareparts	-	75,145	-	75,145
Prepaid IOSA Costs	159,178	-	159,178	-
Other	3,050	8,838	3,050	8,838
	<u>210,398</u>	<u>127,008</u>	<u>210,398</u>	<u>127,008</u>

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

20 CASH AND CASH EQUIVALENTS	Group		Company	
	<u>31 March 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Cash and short-term deposits	604,937	736,278	604,937	683,379
Bank overdraft (Note 23)	(6,825,567)	(11,936,278)	(6,825,567)	(11,936,278)
	<u>(6,220,630)</u>	<u>(11,200,000)</u>	<u>(6,220,630)</u>	<u>(11,252,899)</u>

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

		Group		Company	
		<u>31 March 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
		TZS '000	TZS '000	TZS '000	TZS '000
United States Dollars	USD	289,129	433,219	289,129	433,219
Euro	EUR	26,172	87,861	26,172	87,861
Kenya Shillings	KES	6,911	1,462	6,911	1,462
		<u>322,212</u>	<u>522,542</u>	<u>322,212</u>	<u>522,542</u>

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**FINANCIAL STATEMENTS  
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**NOTES (CONTINUED)**

21 INCOME TAX	Group <u>31 March</u> <u>2018</u> TZS '000	Group <u>31 March 2017</u> TZS '000	Company <u>31 March 2018</u> TZS '000	Company <u>31 March 2017</u> TZS '000
<b>(a) Tax payable</b>				
At beginning of the year	1,641,176	1,550,208	1,641,176	1,611,846
Payments during the year	(400,000)	(272,252)	(400,000)	(272,251)
Alternative minimum tax prior years	2	61,639	2	-
Alternate minimum tax charge	<u>446,944</u>	<u>301,581</u>	<u>446,944</u>	<u>301,581</u>
At end of the year	<u>1,688,122</u>	<u>1,641,176</u>	<u>1,688,122</u>	<u>1,641,176</u>
<b>(b)</b>				
Current year tax	-	-	-	-
Alternate minimum tax- current year	446,944	301,581	446,944	301,581
Deferred tax charge	-	-	-	-
	<u>446,944</u>	<u>301,581</u>	<u>446,944</u>	<u>301,581</u>

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

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

	Group <u>31 March 2018</u> TZS '000	Group <u>31 March 2017</u> TZS '000	Company <u>31 March 2018</u> TZS '000	Company <u>31 March 2017</u> TZS '000
Loss before income tax	<u>(21,098,642)</u>	<u>(26,940,584)</u>	<u>(20,959,510)</u>	<u>(29,499,470)</u>
Tax at applicable rate of 30%	(6,329,593)	(8,082,175)	(6,287,853)	(8,849,841)
<i>Tax effect of:</i>				
- non-deductible expenses	5,812,645	2,101,315	5,729,165	2,042,345
Deferred tax movement not recognized	516,948	5,980,860	558,688	6,807,496
Alternative minimum tax	<u>446,944</u>	<u>301,581</u>	<u>446,944</u>	<u>301,581</u>
Total tax expense/(credit)	<u>446,944</u>	<u>301,581</u>	<u>446,944</u>	<u>301,581</u>

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**NOTES (CONTINUED)**

**21 INCOME TAX (CONTINUED)**

**(d) Deferred income tax**

The makeup and the movement of deferred income tax is attributable to the following items:

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

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**NOTES (CONTINUED)**

**21 INCOME TAX (CONTINUED)**  
**(c) Deferred income tax (continued)**

<b>Group</b>	<b>At 1 Apr 16</b> <b>TZS '000</b>	<b>Charge/ (credit) to</b> <b>P&amp;L</b> <b>TZS '000</b>	<b>At 31 Mar 17</b> <b>TZS '000</b>
Accelerated capital deductions	32,527,906	3,040,190	35,568,096
Unrealised foreign exchange losses and provisions	(23,477,330)	(258,891)	(23,736,221)
Tax losses	(47,000,753)	(9,588,795)	(56,589,548)
Net deferred tax (asset)/ liability	(37,950,177)	(6,807,496)	(44,757,673)
Deferred tax not recognised	37,950,177	6,807,496	44,757,673
Net deferred tax (asset)/ liability recognised	-	-	-

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**NOTES (CONTINUED)**

**21 INCOME TAX (CONTINUED)**

**(d) Deferred income tax (continued)**

The makeup and the movement of deferred income tax is attributable to the following items:

Company	At 1 Apr 17	Charge/ (credit) to	At 31 Mar 18
	TZS '000	P&L TZS '000	TZS '000
Accelerated capital deductions	35,568,096	(3,998,756)	31,569,338
Unrealised foreign exchange losses and provisions	(24,562,857)	(1,059,661)	(25,622,518)
Tax losses	(56,589,548)	5,017,107	(50,972,441)
Net deferred tax (asset)/ liability	(45,584,309)	558,688	(45,025,621)
Deferred tax not recognised	45,584,309	(558,688)	45,025,621
Net deferred tax (asset)/liability recognised	-	-	-

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
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**NOTES (CONTINUED)**

**21 INCOME TAX (CONTINUED)**

**(d) Deferred income tax (continued)**

Company	At 1 Apr 16 TZS '000	Charge/ (credit) to P&L TZS '000	At 31 Mar 17 TZS '000
Accelerated capital deductions	32,527,906	3,040,190	35,568,096
Unrealised foreign exchange losses and provisions	(24,303,966)	(258,891)	(24,562,857)
Tax losses	(47,000,753)	(9,588,795)	(56,589,548)
Net deferred tax (asset)/ liability	(38,776,813)	(6,807,496)	(45,584,309)
Deferred tax not recognised	38,776,813	6,807,496	45,584,309
Net deferred tax (asset)/liability recognised	-	-	-

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**NOTES (CONTINUED)**

<b>22 EQUITY</b>	<b>Group 31 March 2018 TZS '000</b>	<b>Group 31 March 2017 TZS '000</b>	<b>Company 31 March 2018 TZS '000</b>	<b>Company 31 March 2017 TZS '000</b>
<b>(a) Share capital</b>				
<b>Authorised:</b>				
242,000,000 Ordinary Shares of TZS 20/= each	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>
<b>Issued and fully paid up:</b>				
160,472,720 Ordinary Shares of TZS 20/= each	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>
<b>(b) Share premium</b>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
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**NOTES (CONTINUED)**

23

**BORROWINGS - GROUP AND COMPANY**

		<u>Average interest rate</u>	<u>Maturity</u>	<u>Group 31 March 2018</u>	<u>Group 31 March 2017</u>	<u>Company 31 March 2018</u>	<u>Company 31 March 2017</u>
				TSZ '000	TSZ '000	TSZ '000	TSZ '000
<u>Secured bank term loans</u>							
Citibank International Plc and Finfund							
Industrial Co-operation – US\$	4.26%	2008–2022	243,567,533	233,534,923	243,567,533	233,534,923	
Export Development Canada (EDC) – US\$	4.64%	2013–2022	72,426,380	69,553,427	72,426,380	69,553,427	
KCB Bank Tanzania Limited – US\$	9.00%	30.12.2017	1,527,485	726,344	1,527,485	726,344	
			<b>317,521,398</b>	<b>303,814,694</b>	<b>317,521,398</b>	<b>303,814,694</b>	
<u>Secured bank overdrafts</u>							
KCB Bank Tanzania Limited – US\$	9.00%	on demand	382,989	2,256,620	382,989	2,256,620	
KCB Bank Tanzania Limited – TZS	16.00%	on demand	1,635,328	1,569,435	1,635,328	1,569,435	
Stanbic Bank Tanzania Limited – TZS	9.50%	on demand	4,807,250	8,110,223	4,807,250	8,110,223	
			<b>6,825,567</b>	<b>11,936,278</b>	<b>6,825,567</b>	<b>11,936,278</b>	
<b>Grand total</b>			<b>324,346,965</b>	<b>315,750,972</b>	<b>324,346,965</b>	<b>315,750,972</b>	
Non-current			661,218	-	661,218	-	
Current			323,685,747	315,750,972	323,685,747	315,750,972	
			<b>324,346,965</b>	<b>315,750,972</b>	<b>324,346,965</b>	<b>315,750,972</b>	

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 23 BORROWINGS – GROUP AND COMPANY (CONTINUED)

##### **KCB Bank Tanzania Limited: Term loan**

- The loan was granted for the purpose of construction of hanger complex at Mwalimu Julius Nyerere International Airport and the loan was fully paid in the financial year ending 31 March 2018.

- The facility was secured by the hanger complex.

##### **KCB Bank Tanzania Limited: Overdraft**

The overdrafts are secured by Chattels Mortgage over:

- Debenture over floating assets
- Assignment over monthly IATA Billing and Settlement Plan (BSP) receivables
- During financial year 2017/18 an Overdraft of US\$ 800,000 was converted to a term loan.

##### **Stanbic Bank Tanzania Limited: Overdraft**

This was a loan converted to overdraft and the loan was granted to support the working capital of the company.

The facilities are secured by:

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

The loan was converted into an Overdraft during financial year 2015/16

##### **Citibank International Plc and Finfund Industrial Co-operation loan**

- The purpose of the loan was to finance the acquisition of 5 ATR 72-500 and 2 ATR42-500.
- The loans secured by the aircraft that have been delivered.

##### **Export Development Canada (EDC)**

- The purpose of the loan was to finance the acquisition of 2 ATR 72-600
- The loan is secured by the aircraft that have been delivered.

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**23 BORROWINGS – GROUP AND COMPANY (CONTINUED)**

**Current and non current classification**

The company is in breach of the terms of the borrowing agreements (including instalment payments). All the outstanding facilities as at the reporting date have been classified as current except for the KCB loan following an overdraft of US\$ 800,000 that was converted to a term loan where the terms of the agreements have not been breached as at reporting date.

**Collateral arrangements**

As noted above there are loans that have been specifically sourced to acquire aircrafts and spare parts. For the purpose of holding collateral for the financiers, the aircrafts are registered in the name of special purpose entities whose equity is held by the security trustees on behalf of the respective financiers. The legal title is to be transferred to Precision Air Services PLC once the loans are fully repaid. The special entities are as listed below:

<b>Special purpose entity</b>	<b>Assets held as collateral financed by:</b>
Swala Leasing and Finance Limited	Citibank International Plc
	Citibank NA
	Finish Fund Industrial for Cooperation Ltd
Antelope Leasing Finance Ltd	Export Development Canada

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

24 TRADE AND OTHER PAYABLES	Group	Group	Company	Company
	<u>31 March 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Trade payables - third parties	16,962,064	19,855,048	16,962,064	19,855,048
Trade payables - related parties [Note 25]	6,681,176	11,001,788	6,681,176	11,001,788
Advances from customers	1,507,203	8,746,907	1,507,203	8,746,907
Lease accruals	2,486,110	2,458,794	2,486,110	2,458,794
Statutory liabilities	36,480,001	31,228,702	36,480,001	31,228,702
Other accruals	1,331,328	1,764,470	1,331,328	1,764,470
	<u>65,447,882</u>	<u>75,055,709</u>	<u>65,447,882</u>	<u>75,055,709</u>

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

		Group	Group	Company	Company
		<u>31 March 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
		TZS '000	TZS '000	TZS '000	TZS '000
United States Dollars	USD	16,884,666	29,978,185	16,884,666	29,978,185
Euro	EURO	553,621	764,392	553,621	764,392
Great Britain Pound	GBP	235,011	157,076	235,011	157,076
South African Rand	ZAR	59,852	57,524	59,852	57,524
Kenya Shillings	KES	159,984	137,131	159,984	137,131
		<u>17,893,134</u>	<u>31,094,308</u>	<u>17,893,134</u>	<u>31,094,308</u>

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**25 RELATED PARTY DISCLOSURES**

	<b>Group 31 March 2018</b>	<b>Group 31 March 2017</b>	<b>Company 31 March 2018</b>	<b>Company 31 March 2017</b>
	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
<b>a) Key management remuneration</b>				
Salaries and other short term benefits	2,510,564	2,151,704	2,510,564	2,151,704
Pension	234,694	168,414	234,694	168,414
	<u>2,745,258</u>	<u>2,320,118</u>	<u>2,745,258</u>	<u>2,320,118</u>
<b>b) Directors' remuneration</b>				
Salaries and other short term benefits	1,189,235	891,262	1,189,235	891,262
Pension	67,110	51,753	67,110	51,753
	<u>1,256,345</u>	<u>943,015</u>	<u>1,256,345</u>	<u>943,015</u>
<b>c) Purchase transactions</b>				
Kenya Airways Limited	15,369,090	9,566,563	15,369,090	9,566,563
Ngaleku Children's Home Contribution	513	4,442	513	4,442
	<u>15,369,603</u>	<u>9,571,005</u>	<u>15,369,603</u>	<u>9,571,005</u>
<b>d) Sales transactions</b>				
Kenya Airways Limited	39,684,938	11,044,850	39,684,938	11,044,850
	<u>39,684,938</u>	<u>11,044,850</u>	<u>39,684,938</u>	<u>11,044,850</u>

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

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

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

Interests in subsidiaries are set out in note 15 to the financial statements.

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**25 RELATED PARTY DISCLOSURES (CONTINUED)**

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

	<u>Group</u> <u>31 March</u> <u>2018</u> TZS '000	<u>Group</u> <u>31 March</u> <u>2017</u> TZS '000	<u>Company</u> <u>31 March</u> <u>2018</u> TZS '000	<u>Company</u> <u>31 March</u> <u>2017</u> TZS '000
<b>e) Amounts due from related parties</b>				
Precision Handling Limited			2,755,453	2,808,032
Gross amount			2,755,453	(2,755,453)
Less allowance for Impairment	-	-	(2,755,453)	(2,755,453)
Net receivable	-	-	-	52,579
<b>f) Amounts due to related parties</b>				
Ngaleku Children's Home	27	7,023	27	7,023
Contribution	17,826	-	17,826	-
Precise Systems Limited	6,663,323	10,994,765	6,663,323	10,994,765
Kenya Always Limited	6,681,176	11,001,788	6,681,176	11,001,788

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 2018 the Company has recorded an impairment on receivables owed by Precision Ground Handling Limited (March 2017: TZS 51 Mil) as disclosed on Note 18.

<b>26 LEASE COMMITMENTS</b>	<u>Group</u> <u>31 March</u> <u>2018</u> TZS '000	<u>Group</u> <u>31 March</u> <u>2017</u> TZS '000	<u>Company</u> <u>31 March</u> <u>2018</u> TZS '000	<u>Company</u> <u>31 March</u> <u>2017</u> TZS '000
<b>Office lease rentals</b>				
Within one year	1,290,041	452,583	1,290,041	452,583
One to five years	997,471	-	997,471	-
More than five years	797,977	1,357,749	797,977	1,357,749
	<u>3,085,489</u>	<u>1,810,332</u>	<u>3,085,489</u>	<u>1,810,332</u>

**27 OTHER COMMITMENTS**

**Capital commitment**

The Group has no capital commitments as at year end. (2017: Nil)

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 28 SEGMENT INFORMATION

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

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

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

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

**PRECISION AIR SERVICES PLC**  
**FINANCIAL STATEMENTS**  
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**NOTES (CONTINUED)**

**28 SEGMENT INFORMATION (CONTINUED)**

	Group			Company		
	<u>Domestic</u> TZS '000	<u>Foreign</u> TZS '000	<u>Total</u> TZS '000	<u>Domestic</u> TZS '000	<u>Foreign</u> TZS '000	<u>Total</u> TZS '000
<u>Year ended 31 March 2018</u>						
Passengers	66,053,312	31,055,068	97,108,380	66,053,312	31,055,068	97,108,380
Cargo	110,892	195,388	306,280	110,892	195,388	306,280
Mail services	65,472	-	65,472	65,472	-	65,472
Excess baggage	290,104	124,254	414,358	290,104	124,254	414,358
Cancellation Income	447,882	-	447,882	447,882	-	447,882
No show fees	1,258,842	-	1,258,842	1,258,842	-	1,258,842
Fuel surcharge	25,061,110	198,211	25,259,321	25,061,110	198,211	25,259,321
Passenger Interline	-	128,610	128,610	-	128,610	128,610
Passenger tickets writeback	10,540,274	3,581,856	14,122,130	10,540,274	3,581,856	14,122,130
	<u>103,827,888</u>	<u>35,283,387</u>	<u>139,111,275</u>	<u>103,827,888</u>	<u>35,283,387</u>	<u>139,111,275</u>
<u>Year ended 31 March 2017</u>						
Passengers	62,654,879	17,100,781	79,755,660	62,654,879	17,100,781	79,755,660
Cargo	156,666	274,076	430,742	156,666	274,076	430,742
Mail services	69,803	-	69,803	69,803	-	69,803
Excess baggage	319,929	95,397	415,326	319,929	95,397	415,326
Cancellation Income	300,277	-	300,277	300,277	-	300,277
No show fees	1,295,367	-	1,295,367	1,295,367	-	1,295,367
Fuel surcharge	14,459,497	198,211	14,657,708	14,459,497	198,211	14,657,708
Passenger Interline	-	113,162	113,162	-	113,162	113,162
	<u>79,256,418</u>	<u>17,781,627</u>	<u>97,038,045</u>	<u>79,256,418</u>	<u>17,781,627</u>	<u>97,038,045</u>

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 29 CONTINGENCIES

##### Legal claims

As at 31 March 2018, the Group was a defendant in some few legal actions relating to Labour relation matters. The matters are under mediation between former employees and the company. It is not practicable to determine the timing and ultimate liabilities (if any) that may crystallise upon resolution of the pending matters. In opinion of the directors there is no significant exposure to the company that would warrant provision in the financial statements for these cases.

#### 30 EMPLOYEES

Number of employees for the Group at the end of the year was 356 (2017: 436).

#### 31 EARNINGS PER SHARE (EPS) – BASIC AND DILUTED

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

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

	<u>31 March 2018</u>	<u>31 March 2017</u>
<b>Group</b>		
Loss for the year (TZS'000)	(21,545,586)	(27,242,165)
Number of shares ('000')	160,473	160,473
Earnings Per Share (TZS)	(134.26)	(169.76)
<b>Company</b>		
Loss for the year (TZS'000)	(21,406,454)	(29,801,051)
Number of shares ('000')	160,473	160,473
Earnings Per Share (TZS)	(133.40)	(185.71)

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 32 CAPITAL MANAGEMENT

The Group defines capital as the total equity and net debt of the Group. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. While the overall responsibility of capital management rests with the board of Directors, the day to day capital management is delegated to the management committee.

The Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the years end 31 March 2018 and 31 March 2017.

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

The Group does not have a target debt ratio.

<u>Group</u>	<u>Group</u> <u>31 March 2018</u> TZS'000	<u>Group</u> <u>31 March 2017</u> TZS'000	<u>Company</u> <u>31 March 2018</u> TZS'000	<u>Company</u> <u>31 March 2017</u> TZS'000
Borrowings	324,346,965	315,750,972	324,346,965	315,750,972
Trade and other payables	65,447,882	75,055,709	65,447,882	75,055,709
Cash and bank balances	<u>(604,937)</u>	<u>(736,278)</u>	<u>(604,937)</u>	<u>(683,379)</u>
Net debt	388,328,305	390,070,403	388,328,305	390,123,302
Equity	<u>(270,129,105)</u>	<u>(248,583,519)</u>	<u>(270,908,994)</u>	<u>(249,502,540)</u>
Capital and net debt	<u>119,060,805</u>	<u>141,486,884</u>	<u>118,280,916</u>	<u>140,620,762</u>
Net debt ratio	327%	276%	329%	277%

#### *Externally imposed capital requirements*

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

### NOTES (CONTINUED)

#### 33 FAIR VALUE DISCLOSURES

##### *Fair value hierarchy*

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

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

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

<u>Group</u>	<u>Level</u>	<u>Fair values</u>		<u>Carrying amount</u>	
		<u>31 March 2018</u>	<u>31 March 2017</u>	<u>31 March 2018</u>	<u>31 March 2017</u>
		<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>
<u>Financial assets</u>					
Trade and other receivables	Level 2	8,988,333	7,500,397	8,988,333	7,500,397
Cash and short-term deposits	Level 2	604,937	736,278	604,937	736,278
<u>Financial liabilities</u>					
Borrowings	Level 2	324,346,965	315,750,972	324,346,965	315,750,972
Trade and other payables	Level 2	27,460,678	35,080,100	27,460,678	35,080,100
<u>Company</u>					
<u>Financial assets</u>					
Trade and other receivables	Level 2	8,988,333	7,552,976	8,988,333	7,552,976
Cash and short-term deposits	Level 2	604,937	683,379	604,937	683,379
<u>Financial liabilities</u>					
Borrowings	Level 2	324,346,965	315,750,972	324,346,965	315,750,972
Trade and other payables	Level 2	27,460,678	35,080,100	27,460,678	35,080,100

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

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

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**NOTES (CONTINUED)**

**34 NON CURRENT ASSETS HELD FOR SALE (GROUP AND COMPANY)**

	<u>31 March 2018</u>	<u>31 March 2017</u>
	TZS'000	TZS'000
Cost	-	92,688,805
Accumulated depreciation	-	(23,806,638)
Fair value loss	-	(22,393,486)
<b>Sub total</b>	<b>-</b>	<b>46,488,681</b>
Reversal of fair value loss	-	9,738,525
Transfer to property and equipment	-	(56,227,206)
<b>Fair value</b>	<b>-</b>	<b>-</b>

The sale and leaseback transaction that gave rise to non-current assets held for trade is no longer under consideration and was transferred to PPE in prior year.

	<u>31 March 2018</u>	<u>31 March 2017</u>
	TZS'000	TZS'000
Cost transfer to property and equipment (Note 13)	-	92,688,805
Accumulated depreciation transfer to property and equipment (Note 13)	-	(36,461,599)
Carrying value transferred	-	56,227,206
<b>Reversal of fair value loss:</b>		
Previously recorded fair value loss	-	22,393,486
Depreciation for period non-current assets were classified as held for sale	-	(6,183,505)
Aircraft engine impairment for the year ended 31 March 2017	-	(6,471,458)
	-	9,738,525

**35 PRIOR YEAR ADJUSTMENTS**

	Note	Before restatement	Adjustment	After restatement
		TZS'000	TZS'000	TZS'000
<b>Group</b>				
Cost of sales	a	78,873,683	14,366,768	93,240,451
Administrative expenses	a	39,818,933	(14,366,768)	25,452,165
Finance costs	b	15,514,528	5,162,469	20,676,997
Loss on foreign currency exchange	b	8,454,898	(5,162,469)	3,292,429
<b>Company</b>				
Cost of sales	a	78,873,683	14,366,768	93,240,451
Administrative expenses	a	39,622,366	(14,366,768)	25,255,598
Finance costs	b	15,514,528	5,162,469	20,676,997
Loss on foreign currency exchange	b	8,454,898	(5,162,469)	3,292,429

a. Direct employee costs previously included in administrative expenses.

b. Foreign currency exchange losses on borrowings previously included in loss on foreign currency exchange.

The prior year adjustments had no effect on balance sheet, statement of cash flows and Earning per share.

**36 SUBSEQUENT EVENTS**

There was no significant event after the balance sheet date.