

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 31ST MARCH 2013

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PRECISION AIR SERVICES PLC

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

31 MARCH 2013

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GROUP INFORMATION 31 MARCH 2013**PRINCIPAL PLACE OF BUSINESS:**

QUALITY PLAZA
NYERERE ROAD
P. O. BOX 70770
DAR ES SALAAM

REGISTERED OFFICE:

NEW SAFARI HOTEL
BOMA ROAD
P. O. BOX 1636
ARUSHA

BANKERS:

CRDB BANK LIMITED
P. O. BOX 3150
ARUSHA

STANBIC BANK
P. O. BOX 3062
ARUSHA

KENYA COMMERCIAL BANK (T) LIMITED
P. O. BOX 804
DAR ES SALAAM

NBC BANK LIMITED
P. O. BOX 157
ZANZIBAR

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

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

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

GROUP SECRETARY:

ELIAS MWASHIUYA
P. O. BOX 70770
DAR ES SALAAM

GROUP AUDITOR:

ERNST & YOUNG
CERTIFIED PUBLIC ACCOUNTANTS
UTALII HOUSE
P. O. BOX 2475
DAR ES SALAAM

HIGHLIGHTS OF THE YEAR 31 MARCH 2013**FINANCIAL HIGHLIGHTS**

	Company 31-Mar-13 TZS '000	Company 31-Mar-12 TZS '000
Revenue		
Passenger	138,604,685	129,389,774
Freight & Mail	2,984,856	3,557,624
Fuel Surcharge	34,794,219	30,114,054
Total	176,383,760	163,061,452
Direct expenditure	145,225,865	117,059,260
Gross profit	31,157,895	46,002,192
Gross profit margin %	18%	28%
Other income	1,494,652	3,308,578
Indirect expenditure	(42,856,142)	(36,159,070)
Impairment of receivables	(8,601,691)	(385,272)
Financial charge	(8,170,242)	(7,598,033)
Foreign exchange loss	(4,407,177)	(2,936,518)
(Loss) /Profit before tax	(31,382,705)	2,231,877
Income tax credit /(charge)	955,246	(1,025,756)
(Loss) /Profit for the year	(30,427,459)	1,206,121

OPERATING STATISTICS

	31-Mar-13	31-Mar-12
Passengers	895,654	825,159
Revenue Passenger per Kilometre (RPK's) ('000)	493,815	423,828
Available Seats per Kilometre (ASK's) ('000)	802,534	728,845
Passenger Load factor	62%	58%
Yield per RPK - USc	17.56	19.38
Employees	717	704
ASK's per employee - '000	1,119	1,035
Revenue per employee - US\$'000	154	147
(Loss) /profit per employee - US\$'000	(26.56)	1.09
Block hours	24,141	22,523
Aircrafts in service at year end		
ATR 72 - 500	5	5
ATR 42 - 600	2	-
ATR 42 - 500	2	2
ATR 42 - 320	1	2
B733 - 300	2	2
Total numbers of aircraft	12	11

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2013

1. INTRODUCTION

The Directors present their report and the audited consolidated and separate financial statements for the financial year ended 31 March 2013 which disclose the consolidated and separate state of affairs of Precision Air Services Plc.

The consolidated and separate financial statements for the year ended 31 March 2013 were authorised for issue by directors as indicated on the consolidated and separate statement of financial position.

2. INCORPORATION AND REGISTRATION

The Company and its subsidiaries are incorporated in Tanzania.

3. GROUP'S VISION

"To be the airline of choice"

4. GROUP'S MISSION

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

5. PRINCIPAL ACTIVITIES

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

The Company flies to fifteen (15) destinations within Tanzania and the region. The Company established a new route during the year being 3 return flights in a week to Lusaka via Lubumbashi. At year-end, the Company had twelve (12) aircrafts in operation, ten (10) owned and two (2) leased (2012: eleven (11) aircraft in operation, nine (9) owned and two (2) leased).

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

6. PERFORMANCE FOR THE YEAR

Capacity Offered to Market

The Available Seats per Kilometre (ASK) released to the market amounted to 803 Million against a prior year level of 729 Million thus a growth of 10% compared to prior year.

Capacity Utilised

Total passengers carried in the network during the financial year amounted to 895,654 compared to a prior year level of 825,159 thus a growth of 9% compared to prior.

The Revenue Passenger per Kilometre (RPK) achieved from the market amounted to 493 million against prior year level of 424 million; thus a growth of 17% compared to prior year.

Yields

Yield achieved on passenger revenue during the financial year was Yield per RPK 17.56 US Cents (USc) compared to a prior year level of USc 19.38.

Profitability

Whereas the Company achieved loss of TZS 30,427 million during the year (2012: TZS 1,206 million profit); the Group achieved a loss of TZS 30,148 million (2012: TZS 634 million profit).

The operating loss condition has been primarily attributed to costly and inefficient leased aircrafts type; rising fuel costs that cannot all be passed to passengers, un-optimised ancillary revenues opportunities; and inefficient networks/routes.

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

7. FUTURE DEVELOPMENTS AND PLANS

The Group will mainly focus on improving profitability and liquidity. The Group has subsequently returned the costly leased aircrafts; has embarked on a process improvement program and has prepared a revised 5 year strategy for operations. The strategy projects return to profitability in the foreseeable future. It also projects improved cash flows and reduced gearing levels. The Group will focus on operations and structure rationalization and hence improving operational efficiencies and thereby improve service delivery at minimum cost while rationalising its fleet networks and tapping revenue enhancement opportunities.

However the impact of increased competition through the entry of new players in the market, accelerating fuel prices, and depreciation of Tanzania Shillings over major currencies will be amongst the main challenges the Group will face during 2014.

8. STOCK EXCHANGE INFORMATION

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

9. DIVIDENDS

The Directors do not recommend payment of dividend (2012: Nil).

10. SUBSEQUENT EVENTS

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

11. SOLVENCY AND GOING CONCERN EVALUATION

The Group's state of affairs is set out on page 19 of the consolidated and separate financial statements.

The Group incurred a net loss of TZS 30,148 million for the year ended 31 March 2013 (31 March 2012: a net profit of TZS 634 million) and, as at that date, the Group's current liabilities exceeded its current assets by TZS 85.71 billion (31 March 2012: TZS 31.04 billion). The Group was also in a net liability position of TZS 11.07 billion as at that date (31 March 2012: net assets position of TZS 19.08 billion).

Furthermore, the Company incurred a net loss of TZS 30,427 million for the year ended 31 March 2013 (31 March 2012: a net profit of TZS 1,206 million) and, as at that date, the Company's current liabilities exceeded its current assets by TZS 83.14 billion (31 March 2012: TZS 28.48 billion). The Company was also in a net liability position of TZS 10.35 billion as at that date (31 March 2012: net assets position of TZS 20.08 billion).

The Company is also faced with a lack of sufficient working capital to support its working capital requirements and to honour its repayment of maturing loan obligations. Furthermore the Company has not complied with other statutory requirements for remittance of statutory deductions and indirect taxes to relevant authorities for a number of years.

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

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

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

12. RELATED PARTY TRANSACTIONS

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

13. CAPITAL STRUCTURE

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

Authorised Share Capital

242,000,000 ordinary shares of TZS 20 each (2012: 242,000,000 ordinary shares of TZS 20 each).

Called up and fully paid share capital

160,469,800 ordinary shares of TZS 20 each (2012: 160,469,800 ordinary shares of TZS 20 each).

Share premium

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

Long Term Loans

The Group is financed by long-term loans amounting to TZS 201 billion as at year end (2012: TZS 171 billion). For more details, refer to Note 25 to the consolidated and separate financial statements.

14. SHAREHOLDING

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

Name	2013		2012	
	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	<u>25,454,800</u>	<u>15.86</u>	<u>25,454,800</u>	<u>15.86</u>
	<u>160,469,800</u>	<u>100.00</u>	<u>160,469,800</u>	<u>100.00</u>

The top ten shareholders as at 31 March 2013 were as follows:

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

15. COMPOSITION OF THE BOARD OF DIRECTORS

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

Name	Title	Age	Nationality	Remarks
Mr. Michael N. Shirima	Chairman	69 years	Tanzanian	
Mr. Alfonse M. Kioko	Managing Director & CEO	53 years	Kenyan	(Retired 1 st March 2013)
Ms Sauda Rajab	Managing Director & CEO	49 years	Kenyan	(Appointed 1 st March 2013)
Mr. Titus T. Naikuni	Director	59 years	Kenyan	
Mr. Vincent M. Shirima	Director	37 years	Tanzanian	
Mr. Ron Schipher	Director	67 years	Dutch	
Ms. Fabia Bausch	Director	39 years	Swiss	(Retired 4 th April 2013)
Mrs Elizabeth Minde	Director	64 years	Tanzanian	(Appointed 7 th June 2013)

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

The Group Secretary during the year was Mr. Elias Mwashuiya; Tanzanian 36 years.

16. DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

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

17. DIRECTORS' EMOLUMENTS

The remuneration for services rendered by the Directors for the Group during the financial year was TZS 338 Million (2012: TZS 321 million).

18. ORGANISATION STRUCTURE

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

- Managing Directors Office
- Finance
- Commercial Strategy and Network planning
- Human Resources and Administration
- Operations
- Information Systems
- Technical and Engineering
- Ground Handling

19. KEY MANAGEMENT PERSONNEL OF THE GROUP

The key management personnel who served the Company during the year ended 31 March 2013 were:

Ms Sauda Rajab	Group Managing Director & CEO (w.e.f 1 March 2013)
Mr. Alfonse M. Kioko	Group Managing Director & CEO (Retired 1 March 2013)
Mr Charles Ogolla	Finance Director
Mr Patrick Ndekana	Commercial Director
Ms Reynada Sikira	Director Human Resources
Mr Gaudenz Kusekwa	Director Operations
Mr Gardy Mbala	Director Information Systems
Mr Gennaro Sicureza	Technical Director
Mr Elias Moshi	Director Ground Handling
Mr Allen Shara	Director Quality and Safety

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

20. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The Company's accounting policies, which are laid out on pages 23 to 38 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

21. INVESTMENTS

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

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

22. ACQUISITIONS AND DISPOSALS

There was no material disposal or acquisition of business during year 2013 (2012: Nil).

23. POLITICAL AND CHARITABLE DONATIONS

The Group contributed TZS NIL (2012: TZS 6,175,800) to the charitable community projects and charitable various organizations. No political donations were made by the Company during the year.

24. EMPLOYEES' WELFARE

Management and Employees' Relationship

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

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

Training Facilities

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

Medical Assistance

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

Financial Assistance to Staff

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

Retirement Benefits

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

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

The number of employees in the Group at the end of year totalled 717 as compared to 704 at the end of year 2012.

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 2013, the Group had 468 (65%) male and 249 (35%) female employees (2012: 450 (64%) male and 248 (34%) female employees).

26. DISABLED PERSONS

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

27. STATEMENT OF CORPORATE GOVERNANCE

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

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

Board of Directors

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

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

Committees of the Board

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

Internal controls

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

Internal controls (Continued)

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 2013 are disclosed in note 26 of the consolidated and separate financial statements. Neither at the end of the financial year nor at any time during the year was there any arrangement to which the Group is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares. There were no Directors' loans at any time during the year.

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 the Group supported the Cornel Ngaleku Children's Centre - an orphanage located in the Kilimanjaro region and Mtwara municipal primary schools.

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

31. AUDITORS

Ernst & Young were the Group auditors for the year 2013. They have expressed their willingness to continue in office and are eligible for reappointment.

Approved by the board of directors on 31st August 2013 and signed on its behalf by:

Name: Mr. Michael Shirima **Title:** Chairperson

Signature: 

Name: Ms. Sauda Rajab **Title:** Managing Director & CEO

Signature: 

STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2013

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

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

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

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

By Order of the Board

Name: Michael N. Shirima **Title:** Chairman of the Board

Signature: 

Name: Sauda Rajabu **Title:** Group MD & CEO

Signature: 

Date: 31st August 2013

INDEPENDENT AUDITORS' REPORT***To the Shareholders of*****PRECISION AIR SERVICES PLC****Report on the consolidated and separate financial statements**

We have audited the consolidated and separate financial statements of Precision Air Services Plc set out on pages 17 to 62, which comprise the consolidated and separate statements of financial position as at 31 March 2013, and the consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibilities for the consolidated and separate financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2012, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Precision Air Services Plc as at 31 March 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Tanzanian Companies Act, 2012.

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

Without qualifying our opinion, we draw attention to note 2.1 to the consolidated and separate financial statements which indicates that the Group incurred a net loss of TZS 30,148 million for the year ended 31 March 2013 (31 March 2012: a net profit of TZS 634 million) and, as at that date, the Group's current liabilities exceeded its current assets by TZS 85.71 billion (31 March 2012: TZS 31.04 billion). The Group was also in a net liability position of TZS 11.07 billion as at that date (31 March 2012: net assets position of TZS 19.08 billion). In addition, the Company incurred a net loss of TZS 30,427 million for the year ended 31 March 2013 (31 March 2012: a net profit of TZS 1,206 million) and, as at that date, the Company's current liabilities exceeded its current assets by TZS 83.14 billion (31 March 2012: TZS 28.48 billion). The Company was also in a net liability position of TZS 10.35 billion as at that date (31 March 2012: net assets position of TZS 20.08 billion). These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern.

Report on other legal and regulatory requirements

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

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

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

The Company has not complied with statutory requirements for remittance of statutory deductions and indirect taxes to relevant authorities. The outstanding amount as at year end was TZS 19 billion.


Ernst & Young**Certified Public Accountants****Dar es Salaam****Signed by: Neema Kiure - Mssusa**31st august **2013**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

1 CORPORATE INFORMATION

The consolidated and separate financial statements of the Group and Company for the year ended 31 March 2013 were authorised for issue as shown in the consolidated and separate statement of financial position. These consolidated and separate financial statements can be amended by owners and regulatory bodies if the consolidated and separate financial statements are found to be misleading after they have been issued to the public.

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

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

Incorporation

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

Principal activities

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

2 BASIS OF PREPARATION

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

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

Whereas the current year amounts in the consolidated and separate financial statements of the Company relates to the state of affairs for the period of twelve (12) months to 31 March 2013, those of Precise Systems Limited forming part of the "Group" consolidated financial statements relate to only seven (9) months of operations since the subsidiary commenced operations in July 2012.

BASIS OF PREPARATION (Continued)

2.1 Going concern basis of preparation

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

Several conditions and events cast doubt about the Group's and Company's ability to continue as a "going concern." The Group incurred a net loss of TZS 30,148 million for the year ended 31 March 2013 (31 March 2012: a net profit of TZS 634 million) and, as at that date, the Group's current liabilities exceeded its current assets by TZS 85.71 billion (31 March 2012: TZS 31.04 billion). The Group was also in a net liability position of TZS 11.07 billion as at that date (31 March 2012: net assets position of TZS 19.08 billion).

Furthermore, the Company incurred a net loss of TZS 30,428 million for the year ended 31 March 2013 (31 March 2012: a net profit of TZS 1,206 million) and, as at that date, the Company's current liabilities exceeded its current assets by TZS 83.14 billion (31 March 2012: TZS 28.48 billion). The Company was also in a net liability position of TZS 10.35 billion as at that date (31 March 2012: net assets position of TZS 20.08 billion).

The Company is also faced with a lack of sufficient working capital to support its working capital requirements and to honour its repayment of maturing loan obligations. Furthermore the Company has not complied with other statutory requirements for remittance of statutory deductions and indirect taxes to relevant authorities for a number of years.

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

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

Since the commencement of the fleet modernization and expansion programs, the company has on some occasions experienced strain on free available cash flows to settle obligations as they mature.

The operating loss condition has been primarily contributed to the following:

- costly leased Boeing aircrafts type;
- rising fuel costs that cannot all be passed to passengers,
- foreign exchange losses on foreign currency denominated liabilities
- weak credit controls leading to significant allowance for credit losses
- un optimised ancillary revenues opportunities; and
- Inefficient networks/routes.

BASIS OF PREPARATION (Continued)

2.1 Going concern basis of preparation (Continued)

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

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

Key considerations which directors have taken into account are:

- i. A review of the budgetary and forecasting process to ascertain whether appropriate assumptions have been considered in developing the Company's forecasts
- ii. Consideration of the timing of the cash flows to reflect the underlying maturity of liabilities and assets
- iii. A review of the Company's loan arrangements and borrowing covenants
- iv. Consideration of the Company's financial adaptability
- v. Review of possible exposures to contingent liabilities
- vi. Review of the Company's risk mitigation practices for such risks as interest risk, currency exchange rate risk and other business risks
- vii. Improving and tightening credit controls to minimise credit losses
- viii. Review of other key considerations relevant to business continuity, such as maintenance of key suppliers and customers, maintenance of key staff, maintenance of a stable labour force, adequacy of risk mitigating practices and stability of the Company's cost structure
- ix. The current portion of the Group's interest bearing loans account for 38% of its current liabilities. This amount equates to approximately 30% of projected Group's revenues for the next financial year.

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

- Have subsequently returned the costly leased Boeing aircrafts ,cancelled the related maintenance contracts and retained an all ATR fleet which is more efficient
- seeking private equity investor
- considering sale and lease back options
- have embarked on a process improvement program and has prepared a revised 5 year strategy for operations. The strategy projects return to profitability in 2014. It also projects improved cash flows and reduced gearing levels
- re-negotiating and entering into agreements with main suppliers and statutory bodies to pay outstanding amounts in installments
- operations and structure rationalization and hence improving operational efficiencies and thereby improve service delivery at minimum cost
- network and fleet rationalization
- tapping revenue enhancement opportunities in handling, cargo and maintenance for third parties

BASIS OF PREPARATION (Continued)

- Management have reviewed these considerations and the results of this assessment have been documented and presented to the directors and major creditors and lenders for their consideration. The lenders gave their inputs and considerations which have been incorporated in the five year plan.

After making enquiries to the going concern uncertainties and consideration of planned measures thereof, the directors strongly believe that the Company will have adequate resources to continue in operational existence for next 12 months. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual consolidated and separate financial statements.

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

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

2.2 Statement of compliance

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

3 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Precision Air Services Plc (the Company) and its subsidiaries Precision Handling Limited and Precise Systems Limited as at 31 March 2013, together "the Group".

Subsidiaries are fully consolidated from the date of incorporation or acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The consolidated and separate financial statements of the subsidiaries are prepared for the same reporting period as that of the parent Company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

BASIS OF CONSOLIDATION (Continued)

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Impairment of aircraft

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

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

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

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

Unused ticket revenue

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

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**Impairment of trade receivables**

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

Property and equipment

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

Going concern basis of preparation of financial statements

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

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

5 CHANGES IN ACCOUNTING POLICIES**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 April 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment)
- IFRS 7 Financial Instruments: Disclosures (Amendments)
- IFRS 7 Financial Instruments: Disclosures Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying

amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012. There has been no effect on the Group's and Company's financial position, performance or its disclosures since the measurement of deferred tax has already been made on the assumption that the recoverable amount will be recovered through sale.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group and the Company.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue

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

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

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

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

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

Inventories

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

Property and equipment

Motor vehicles, furniture and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Other items of property and equipment are stated at revalued amount.

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

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

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

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

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

Major repairs of aircraft components – airframe, engines and landing gears are initially capitalized and depreciated on an hourly usage basis up to the next overhaul.

Routine maintenance costs including annual airframe checks are written off to the income statement in the accounting period in which they are incurred.

Work in progress is stated at cost, and transferred to the respective category of property and equipment when it is available for use. Work in progress is not depreciated.

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 the income statement in the year the asset is derecognised.

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

Leases

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

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Intangible assets

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

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

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in

use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement 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 the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are initially recorded in the Group's functional currency, Tanzanian Shillings, by applying the spot exchange rates ruling at the dates of the transactions. Monetary foreign currency balances are translated into Tanzanian Shillings at the rate ruling at the reporting date. All other gains or losses arising on translation are dealt with through the income statement except where hedge accounting is applied.

Cash flow hedges

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

Borrowing costs

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

Other borrowing costs are recognized in the income statement in the period in which they are incurred.

Cash and cash equivalents

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

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

Employee benefits

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

Pensions and other post-retirement benefits

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

Financial assets

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

The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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

Loans and receivables

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

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

Amortised cost

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss against the allowance account is recognized in profit or loss.

Financial liabilities

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

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

Interest bearing loans and borrowings

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

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Financial liabilities

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

Offsetting of financial instruments

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

- there is a currently enforceable legal right to offset the recognised amounts and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Dividend distribution

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

Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date. The current rate of corporation tax is 25% (2012: 25%).

Deferred tax

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

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

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

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

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

Taxation (Continued)

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

Current tax and deferred tax relating to items recognised directly in other comprehensive income or equity are also recognised in other comprehensive income or equity and not in the income statement.

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

Value added tax

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

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

7 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

7 STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IAS 19 Employee Benefits (Revised)

Numerous changes to IAS 19 have been made. The two most significant of these relates firstly to short and long-term benefits that will now be distinguished based on the expected timing of settlement, rather than employee entitlement. The second item relates to the corridor mechanism for pension plans being removed. This means all changes in the value of defined benefit plans will be recognised as they occur. The adoption of this revised standard with regards to defined benefit plans will have no material effect on the group's financial statements, as there are no such plans. The impacts of the amendments to short-term employee benefits have not yet been assessed. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013 and is not expected to have an impact on the Group as there are no investments in associates and joint ventures.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group as the Group is not a first time adopter of IFRS.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will have no impact the financial position of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)***IFRS 13 Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014. The new interpretation will not have an impact on the Group.

IAS 36 Disclosure requirements for the recoverable amount of impaired assets

The IASB has issued amendments to IAS 36 - Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendments is effective on or after 1 January 2014 and will not have an impact on the financial position or performance of the Group.

Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 *Presentation of Financial Statements*

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 *Property Plant and Equipment*

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

IAS 32 *Financial Instruments, Presentation*

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 *Interim Financial Reporting*

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	Group 31-Mar-13 TZS '000	Group 31-Mar-12 TZS '000	Company 31-Mar-13 TZS '000	Company 31-Mar-12 TZS '000
Revenue	8	181,357,954	163,061,452	176,383,760	163,061,452
Cost of sales	9	(147,913,072)	(117,059,260)	(145,225,865)	(117,059,260)
Gross Profit		33,444,882	46,002,192	31,157,895	46,002,192
Other income	10	1,494,652	3,308,578	1,494,652	3,308,578
Marketing expenses	11 8	(2,168,938)	(1,300,912)	(2,144,584)	(1,300,912)
Impairment of receivables	20	(8,601,691)	(385,272)	(8,601,691)	(385,272)
Administrative expenses	12	(42,217,029)	(35,060,382)	(40,711,558)	(34,858,158)
		(51,493,006)	(33,437,988)	(49,963,181)	(33,235,764)
Operating (loss)/profit		(18,048,124)	12,564,204	(18,805,286)	12,766,428
Finance costs	13	(8,172,169)	(7,652,711)	(8,170,242)	(7,598,033)
(Loss) /Profit before loss on foreign currency and tax		(26,220,293)	4,911,493	(26,975,528)	5,168,395
Loss on foreign currency exchange	14	(4,591,848)	(3,070,840)	(4,407,177)	(2,936,518)
(Loss) /Profit before tax		(30,812,141)	1,840,653	(31,382,705)	2,231,877
Income tax credit/ (expense)	23(b)	663,756	(1,206,856)	955,246	(1,025,756)
(Loss) /Profit for the year attributable to the owners of the Parent		(30,148,385)	633,797	(30,427,459)	1,206,121
Earning per share - Basic and Diluted (TZS)	32	(187.88)	3.95	(225.36)	8.93

**CONSOLIDATED AND SEPARATE STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013**

		Group	Group	Company	Company
		31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
	Notes	TZS '000	TZS '000	TZS '000	TZS '000
(Loss)/Profit for the year		(30,148,385)	633,797	(30,427,459)	1,206,121
Other comprehensive income					
Net movement on cash flow hedges	34	- (10,095,867)		- (10,095,867)	
Income tax effect		- 2,523,967		- 2,523,967	
		- (7,571,900)		- (7,571,900)	
Other comprehensive loss for the year, net of tax	-	(7,571,900)	-	(7,571,900)	
Total comprehensive loss for the year, net of tax		(30,148,385)	(6,938,103)	(30,427,459)	(6,365,779)

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2013

		Group	Group	Company	Company
		<u>31-Mar-13</u>	<u>31-Mar-12</u>	<u>31-Mar-13</u>	<u>31-Mar-12</u>
	Notes	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Non-current assets					
Property and equipment	15	242,099,943	200,668,615	240,144,682	199,099,426
Intangible assets	16	191,601	262,003	191,601	262,003
Investment in subsidiaries	17	-	-	80,419	-
Other non-current financial assets	18	5,699	5,255	5,699	5,255
		242,297,243	200,935,873	240,422,401	199,366,684
Current assets					
Inventories	19	8,621,621	8,186,377	8,621,621	8,186,377
Trade and other receivables	20	17,865,092	14,685,762	19,663,236	17,044,943
Prepayments	21	1,188,721	559,151	1,188,721	559,151
Other current financial assets	18	1,886,936	10,433,786	1,886,936	10,433,786
Cash and short-term deposits	22	3,699,167	6,618,856	3,584,824	6,618,856
		33,261,537	40,483,932	34,945,338	42,843,113

TOTAL ASSETS		275,558,780	241,419,805	275,367,739	242,209,797
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EQUITY AND LIABILITIES**Equity**

Issued capital	24	3,209,396	3,209,396	3,209,396	3,209,396
Share premium	24	10,490,987	10,490,987	10,490,987	10,490,987
Revaluation reserves	24	7,265,561	8,438,348	7,265,561	8,438,348
Cashflow hedging reserve	35	(17,752,445)	(17,752,445)	(17,752,445)	(17,752,445)
(Accumulated losses) /Retained earnings		(14,279,904)	14,695,694	(13,564,085)	15,690,587
		(11,066,405)	19,081,980	(10,350,586)	20,076,873

Non-current liabilities

Interest bearing loans and borrowings	25	167,631,465	148,707,735	167,631,465	148,707,735
Deferred tax liability	23(c)	17,897	2,102,695	-	2,102,695
		167,649,362	150,810,430	167,631,465	150,810,430

Current liabilities

Interest bearing loans and borrowings	25	45,511,942	32,805,940	45,511,942	32,601,039
Trade and other payables	26	71,989,190	38,667,806	71,373,820	38,667,806
Tax payable	23(a)	1,474,691	53,649	1,201,098	53,649
		118,975,823	71,527,395	118,086,860	71,322,494

TOTAL EQUITY AND LIABILITIES		275,558,780	241,419,805	275,367,739	242,209,797
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These financial statements were authorised by the board of directors for issue on 31st August 2013 and were signed on its behalf by:

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

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


PRECISION AIR SERVICES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	<u>Note 24</u> <u>Issued</u> <u>capital</u>	<u>Note 24</u> <u>Share</u> <u>premium</u>	<u>Note 24</u> <u>Revaluation</u> <u>reserve</u>	<u>Note 35</u> <u>Cash flow</u> <u>hedging</u> <u>reserve</u>	<u>(Accumulated</u> <u>losses) /</u> <u>Retained</u> <u>earnings</u>	<u>Total</u> <u>equity</u>
	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>	<u>TZS '000</u>
Group						
At 1 April 2012	3,209,396	10,490,987	8,438,348	(17,752,445)	14,695,694	19,081,980
Disposal	-	-	(1,172,787)	-	1,172,787	-
Loss for the year	-	-	-	-	(30,148,385)	(30,148,385)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(30,148,385)	(30,148,385)
At 31 March 2013	3,209,396	10,490,987	7,265,561	(17,752,445)	(14,279,904)	(11,066,405)
Group						
At 1 April 2011	2,700,300	-	8,438,348	(10,180,545)	14,061,897	15,020,000
Initial Public Offer	509,096	10,490,987	-	-	-	11,000,083
Profit for the year	-	-	-	-	633,797	633,797
Other comprehensive loss	-	-	-	(7,571,900)	-	(7,571,900)
Total comprehensive loss	-	-	-	(7,571,900)	633,797	(6,938,103)
At 31 March 2012	3,209,396	10,490,987	8,438,348	(17,752,445)	14,695,694	19,081,980

PRECISION AIR SERVICES LIMITED

SEPARATE STATEMENT OF CHANGES IN EQUITY (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

	<u>Note 24</u> <u>Issued</u> <u>capital</u>	<u>Note 24</u> <u>Share</u> <u>premium</u>	<u>Note 24</u> <u>Revaluation</u> <u>reserve</u>	<u>Note 35</u> <u>Cash flow</u> <u>hedging</u> <u>reserve</u>	<u>(Accumulated</u> <u>losses) /</u> <u>Retained</u> <u>earnings</u>	<u>Total</u> <u>equity</u>
<u>Company</u>						
At 1 April 2012	3,209,396	10,490,987	8,438,348	(17,752,445)	15,690,587	20,076,873
Disposal	-	-	(1,172,787)	-	1,172,787	-
Loss for the year	-	-	-	-	(30,427,459)	(30,427,459)
Other comprehensive loss	-	-	-	-	-	-
Total comprehensive loss	-	-	-	-	(30,427,459)	(30,427,459)
At 31 March 2013	3,209,396	10,490,987	7,265,561	(17,752,445)	(13,564,085)	(10,350,586)
<u>Company</u>						
At 1 April 2011	2,700,300	-	8,438,348	(10,180,545)	14,484,466	15,442,569
Initial Public Offer	509,096	10,490,987	-	-	-	11,000,083
Profit for the year	-	-	-	-	1,206,121	1,206,121
Other comprehensive loss	-	-	-	(7,571,900)	-	(7,571,900)
Total comprehensive loss	-	-	-	(7,571,900)	1,206,121	(6,365,779)
At 31 March 2012	3,209,396	10,490,987	8,438,348	(17,752,445)	15,690,587	20,076,873

PRECISION AIR SERVICES PLC

**CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013**

		Group	Group	Company	Company
		31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
	Note	TZS '000		TZS '000	TZS '000
Operating activities					
(Loss) /Profit before tax		(30,812,141)	1,840,653	(31,382,705)	2,231,877
Non-cash adjustment to reconcile profit before tax to net cash flows					
Depreciation of property and equipment	15	18,493,010	16,794,573	18,158,099	16,592,346
Profit on disposal of property and equipment		(316,975)	(70,791)	(316,975)	(70,791)
Amortisation of intangible assets	16	91,510	36,563	91,510	36,563
Interest on debts and borrowings	13	8,172,169	7,652,711	8,170,242	7,598,033
Working capital adjustments:					
Increase in inventories		(435,244)	(1,212,128)	(435,244)	(1,212,128)
(Increase) /Decrease in trade and other receivables		(3,179,330)	148,327	(2,618,293)	(1,053,519)
(Increase) /Decrease in prepayments		(629,570)	306,406	(629,570)	306,406
Increase in trade and other payables		33,321,384	2,590,213	32,706,014	2,590,212
		24,704,813	28,086,527	23,743,078	27,018,999
Income tax paid	23(a)	-	(65,000)	-	(65,000)
Net cash flows from operating activities		24,704,813	28,021,527	23,743,078	26,953,999
Investing activities					
Acquisition of computer software	16	(21,108)	(38,361)	(21,108)	(38,361)
Investment in subsidiaries	17	-	-	(80,419)	-
Aircraft security deposit paid	18	-	(10,433,786)	-	(10,433,786)
Aircraft security deposit refunded	18	8,546,407	-	8,546,407	-
Proceeds from sale of property and equipment		3,630,400	71,249	3,630,400	71,249

Purchase of property and equipment	15	(63,237,763)	(8,929,380)	(62,516,780)	(8,929,380)
Net cash flows used in investing activities		(51,082,064)	(19,330,278)	(50,441,500)	(19,330,278)
Financing activities					
Proceeds from borrowings	25	49,564,543	7,454,941	49,564,543	7,454,941
Repayment of borrowings	25	(19,974,107)	(23,179,103)	(19,769,206)	(22,166,253)
Net proceeds from Initial Public Offer	24	-	11,000,083	-	11,000,083
Interest paid		(8,172,169)	(7,600,447)	(8,170,242)	(7,545,769)
Net cash flows from/(used in) financing activities		21,418,267	(12,324,526)	21,625,095	(11,256,998)
Net decrease in cash and cash equivalents		(4,958,984)	(3,633,277)	(5,073,327)	(3,633,277)
Net realised foreign currency exchange difference		(2)	(52,264)	(2)	(52,264)
Cash and cash equivalents at beginning of the year	22	(3,546,905)	138,636	(3,546,905)	138,636
Cash and cash equivalents at year end	22	(8,505,891)	(3,546,905)	(8,620,234)	(3,546,905)

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

	Group 31-Mar-13 TZS '000	Group 31-Mar-12 TZS '000	Company 31-Mar-13 TZS '000	Company 31-Mar-12 TZS '000
8 REVENUE				
Passenger revenue	138,604,685	129,389,774	138,604,685	129,389,774
Freight and mail	2,984,856	3,557,624	2,984,856	3,557,624
Commission	4,833,965	-	-	-
Connection and access fees	115,629	-	-	-
Training income	24,600	-	-	-
Fuel Surcharge	34,794,219	30,114,054	34,794,219	30,114,054
	181,357,954	163,061,452	176,383,760	163,061,452
9 COST OF SALES				
Fuel and oil	50,484,217	48,111,950	50,484,217	48,111,950
Lease of aircraft and engines	7,749,688	4,208,350	7,749,688	4,208,350
Aircraft landing, handling and navigation	12,721,693	9,151,857	12,721,693	9,151,857
Aircraft maintenance	23,695,383	11,930,268	23,695,383	11,930,268
Depreciation of aircraft components	1,818,004	2,548,353	1,818,004	2,548,353
Passenger services	8,884,101	6,809,088	8,884,101	6,809,088
Commission on sales	8,733,157	5,711,066	6,620,367	5,711,066
Aircraft, passengers and cargo insurance	106,713	284,540	106,713	284,540
Depreciation of aircraft and engines	15,882,377	13,944,639	15,882,377	13,944,639
Crew route expenses	2,754,362	1,506,195	2,754,362	1,506,195
Internet service charges	465,413	-	-	-
Centralised reservation systems	12,972,146	12,378,251	12,972,146	12,378,251
Aircraft cleaning and certification	1,536,814	474,703	1,536,814	474,703
Other	109,004	-	-	-
	147,913,072	117,059,260	145,225,865	117,059,260

10 OTHER INCOME

Cancellation income	149,673	337,313	149,673	337,313
Gain on disposal of property and equipment	316,975	70,791.00	316,975	70,791
Passenger interline commission	309,864	2,439,974	309,864	2,439,974
No show and other charges	693,488	458,455	693,488	458,455
Miscellaneous	24,652	2,045	24,652	2,045
	1,494,652	3,308,578	1,494,652	3,308,578

11 MARKETING EXPENSES

Advertising and publicity	2,095,901	1,290,971	2,075,591	1,290,971
Entertainment	73,037	9,941	68,993	9,941
	2,168,938	1,300,912	2,144,584	1,300,912

12 ADMINISTRATIVE EXPENSES

Staff costs				
Salaries and wages	21,788,165	18,864,955	21,222,431	18,864,955
Contribution to pension fund	1,808,871	1,682,523	1,752,356	1,682,523
Payroll levies	1,185,785	1,100,699	1,152,143	1,100,699
Other employment costs	4,449,543	4,812,366	4,380,581	4,812,366
Bank charges	322,942	529,327	318,442	529,327
Motor vehicle expenses	3,175,817	2,775,514	3,133,026	2,775,514
Legal and professional fees	366,135	346,962	356,450	346,962
Rent, maintenance and supplies	3,330,138	2,705,774	3,224,665	2,705,774
General expenses	4,803,472	1,847,860	4,526,028	1,847,861
Amortization of intangible assets	91,510	36,563	91,510	36,563
Board meeting expenses	66,408	50,085	66,408	50,085
Donations	35,614	6,176	29,800	6,176
Depreciation-motor vehicles, computers, furniture and equipment	792,629	301,578	457,718	99,353
	42,217,029	35,060,382	40,711,558	34,858,158
Legal and professional fees include:				
Audit fees	56,699	43,955	47,141	46,905

13 FINANCE COSTS

Interest on debts and borrowings	8,172,169	7,652,711	8,170,242	7,598,033
	8,172,169	7,652,711	8,170,242	7,598,033

14 LOSS ON FOREIGN CURRENCY EXCHANGE

Loss on foreign currency exchange	4,591,848	3,070,840	4,407,177	2,936,518
	4,591,848	3,070,840	4,407,177	2,936,518

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

15 PROPERTY AND EQUIPMENT-GROUP

	Aircraft TZS '000	Aircraft components TZS '000	Aircraft improvements TZS '000	Motor vehicles TZS '000	Computers TZS '000	Furniture, equipment structures TZS '000	Work in progress TZS '000	Total TZS '000
<u>Cost or valuation:</u>								
At 1 April 2011	216,025,298	20,639,710	7,519,323	800,150	885,381	2,618,836	5,023,118	253,511,815
Disposal	-	-	-	(145,207)	-	-	-	(145,207)
Additions	-	4,640,465	-	240,590	193,637	156,304	3,698,384	8,929,380
At 31 March 2012	216,025,298	25,280,175	7,519,323	895,533	1,079,018	2,775,140	8,721,502	262,295,988
Additions	57,503,779	3,740,313	-	15,360	768,440	158,309	1,051,562	63,237,763
Disposal	(5,398,585)	(4,121,388)	-	-	-	-	-	(9,519,973)
At 31 March 2013	268,130,492	24,899,100	7,519,323	910,893	1,847,458	2,933,449	9,773,064	316,013,778
<u>Depreciation and impairment:</u>								
At 1 April 2011	23,568,377	13,186,981	6,303,864	666,749	603,551	648,027	-	44,977,549
Disposal	-	-	-	(144,749)	-	-	-	(144,749)
Charge for the year	13,944,639	1,332,895	1,215,459	23,593	119,907	158,080	-	16,794,573
At 31 March 2012	37,513,016	14,519,876	7,519,323	545,593	723,458	806,107	-	61,627,373
Disposal	(2,459,730)	(3,746,818)	-	-	-	-	-	(6,206,548)

Charge for the year	15,882,377	1,818,004	-	131,418	351,488	309,723	-	18,493,010
At 31 March 2012	50,935,663	12,591,062	7,519,323	677,011	1,074,946	1,115,830	-	73,913,835

Carrying amount

At 31 March 2013	217,194,829	12,308,038	-	233,882	772,512	1,817,618	9,773,064	242,099,943
At 31 March 2012	178,512,282	10,760,299	-	349,940	355,560	1,969,032	8,721,502	200,668,615

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

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

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

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

	2013	2012
	AMOUNT	AMOUNT
	TZS '000	TZS '000
Cost	183,499,483	25,995,704
Accumulated depreciation and impairment	(51,767,997)	(36,699,318)
Carrying amount	131,731,486	89,296,386

PRECISION AIR SERVICES PLC

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FOR THE YEAR ENDED 31 MARCH 2013

	Group 31-Mar-13 TZS '000	Group 31-Mar-12 TZS '000	Company 31-Mar-13 TZS '000	Company 31-Mar-12 TZS '000
16 INTANGIBLE ASSETS				
<i>Computer software</i>				
Cost				
At beginning of the year	880,555	842,194	880,555	842,194
Additions	21,108	38,361	21,108	38,361
At end of the year	901,663	880,555	901,663	880,555
Accumulated amortisation				
At beginning of the year	618,552	581,989	618,552	581,989
Charge for the year	91,510	36,563	91,510	36,563
At end of the year	710,062	618,552	710,062	618,552
Carrying amount	191,601	262,003	191,601	262,003

17 INVESTMENT IN SUBSIDIARIES

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

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

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

18 OTHER FINANCIAL ASSETS

SITA Global Investment	5,699	5,255	5,699	5,255
Aircraft security deposit	1,886,936	10,433,786	1,886,936	10,433,786

	1,892,635	10,439,041	1,892,635	10,439,041
-Current portion	(1,886,936)	(10,433,786)	(1,886,936)	(10,433,786)
-Non Current portion	5,699	5,255	5,699	5,255

SITA Global investment represents US \$ 4,000 advanced to SITA on loan basis to be reimbursed in ten equal annual installments beginning October 2003. The loan bears interest at the average LIBOR of the last five working days of the month preceding the period concerned. The additional deposit during the year was towards one leased aircraft and 5 new aircraft acquisition paid to ATR, KAI Schroder and Airplanes Finance.

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

The deposit do not attract any interest.

The movement in deposit is as follows:

At the beginning of the year	10,439,041	1,532,194	10,439,041	1,532,194
Additional deposit paid	-	10,433,786	-	10,433,786
Refunds in the year	(8,546,407)	(1,526,938)	(8,546,407)	(1,526,938)
At the end of the year	1,892,635	10,439,041	1,892,635	10,439,041

19 INVENTORIES

Aircraft spare parts	8,001,169	4,507,050	8,001,169	7,605,627
Fuel and stationeries	620,452	3,679,326	620,452	580,749
	8,621,621	8,186,377	8,621,621	8,186,377

There was no inventory written off during the year (2012: TZS Nil).

20 TRADE AND OTHER RECEIVABLES

Trade receivables - Third party	11,667,514	8,069,790	10,814,506	8,069,790
Inward bills control	14,832,601	5,883,971	14,832,601	5,883,971
Less: Allowance for credit losses	(9,851,561)	(1,249,870)	(9,851,561)	(1,249,870)
	16,648,554	12,703,891	15,795,546	12,703,891
Trade receivables - Related party [Note 27]	-	758,767	2,808,032	3,117,949
Advances to suppliers	181,295	234,613	181,295	234,613
Staff loans, advances and imprests	799,180	928,462	799,180	928,462
Other debtors	236,063	60,029	79,183	60,028
	17,865,092	14,685,762	19,663,236	17,044,943

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

At beginning of the year	1,249,870	864,597	1,249,869	864,597
Addition	8,601,691	385,272	8,601,691	385,272
At 31 March	9,851,561	1,249,870	9,851,561	1,249,869

Age analysis of trade and other receivables

==> Neither past due nor impaired	1,128,294	6,238,789	9,124,016	15,213,942
==> Past due but not impaired - Above 90 days	687,661	581,133	687,661	581,133
==> Overdue and fully impaired - Above 150 days	9,851,559	1,249,868	9,851,559	1,249,868
	11,667,514	8,069,790	19,663,236	17,044,943

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

United States Dollars	2,156,662	3,457,269	3,607,893	3,457,269
Euro	567,699	486,667	567,699	486,667
Sterling Pound	310,322	259,600	310,322	259,600
Australian Dollars	104,927	46,304	104,927	46,304
Canadian Dollars	51,565	12,918	51,565	12,918
South African Rand	152,415	342,227	152,415	342,227
Kenya Shillings	170,398	265,437	170,398	265,437
	3,513,988	4,870,421	4,965,219	4,870,421

==> For terms and conditions relating to related party receivables, refer to Note 26.

==> Trade receivables are non-interest bearing and are generally on 30 - 90 day terms.

21 PREPAYMENTS

Prepaid insurance	88,624	29,947	88,624	29,947
Prepaid rent	104,109	387,104	104,109	387,104
Prepaid IOSA costs	772,886	142,100	772,886	142,100
Other	223,102	-	223,102	-
	1,188,721	559,151	1,188,721	559,151

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

22 CASH AND CASH EQUIVALENTS

Cash and short-term deposits	3,699,167	6,618,856	3,584,824	6,618,856
Bank overdraft [Note 25]	(12,205,058)	(10,165,761)	(12,205,058)	(10,165,761)
	(8,505,891)	(3,546,905)	(8,620,234)	(3,546,905)

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

United States Dollars	2,467,037	3,749,719	2,467,037	3,749,719
Euro	322,614	336,208	322,614	336,208
South African Rand	(12,697)	638,281	(12,697)	638,281
Kenya Shillings	-	98,160	-	98,160
	2,776,954	4,822,367	2,776,954	4,822,367

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23 TAXATION

(a) Tax payable/ (recoverable)				
At beginning of the year	53,649	118,649	53,649	118,649
Payments during the year	-	(65,000)	-	(65,000)
Charge during the year	273,593	-	-	-
Alternate minimum tax charge- current	529,151	-	529,151	-
Alternate minimum tax charge - previous years	618,298	-	618,298	-
At end of the year	1,474,691	53,649	1,201,098	53,649
(b) Tax charge /(credit)				
Current year tax	273,593	-	-	-
Alternate minimum tax-current year	529,151	-	529,151	-
Alternate minimum tax-previous years	618,298	-	618,298	-
Deffered tax (credit)/charge	(2,084,798)	1,206,856	(2,102,695)	1,025,756
(Credited) /charged to profit or loss	(663,756)	1,206,856	(955,246)	1,025,756
Credited /(charged) to other comprehensive income [Note 23 (c)]	-	(2,523,967)	-	(2,523,967)
Total charge	(663,756)	(1,317,111)	(955,246)	(1,498,211)

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

(c) **Deferred tax**

Deferred tax liability

Accelerated depreciation for tax purposes	143,466,229	133,847,478	143,267,372	133,847,478
Revaluation surplus	9,687,415	11,251,131	9,687,415	11,251,131
	153,153,644	145,098,609	152,954,787	145,098,609
Deferred tax liability thereon at 25% (2012:25%)	38,288,411	36,274,652	38,238,697	36,274,652

Deferred tax asset

Leave accrual	(492,781)	(253,126)	(492,781)	(253,126)
Cashflow hedging reserve	(24,639,502)	(24,639,502)	(24,639,502)	(24,639,502)
General impairment of receivables	(9,851,561)	(1,249,870)	(9,851,561)	(1,249,870)
Tax losses	(134,959,929)	(110,545,331)	(134,959,929)	(110,545,331)
	(169,943,773)	(136,687,829)	(169,943,773)	(136,687,829)
Deferred tax asset thereon at 25% (2012:25%)	(42,485,943)	(34,171,957)	(42,485,943)	(34,171,957)

Net deferred tax (asset)/liability	(4,197,532)	2,102,695	(4,247,246)	2,102,695
Less: Deferred tax asset not recognised	4,215,429	-	4,247,246	-
As per statement of financial position	17,897	2,102,695	-	2,102,695
Less: Opening net deferred tax liability	2,102,695	3,419,806	2,102,695	3,600,906
Deferred tax recognised during the year	(2,084,798)	(1,317,111)	(2,102,695)	(1,498,211)

Deferred tax (credited) /Charged to:

Income statement	(2,084,798)	1,206,856	(2,102,695)	1,025,756
Equity	-	(2,523,967)	-	(2,523,967)
	(2,084,798)	(1,317,111)	(2,102,695)	(1,498,211)

Deferred tax has not been recognised as there is uncertainty when the Group and the Company will have adequate future profits to fully utilise the tax losses.

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

Accounting profit before tax	(30,812,141)	1,840,653	(31,382,705)	2,231,877
Tax applicable rate of 25%	(7,703,035)	460,163	(7,845,676)	557,969

Tax effect on non taxable/non deductible items

Alternate minimum tax charge- previous years	618,298	-	618,298	-
Alternate minimum tax charge - current year	529,151	-	529,151	-
Increase/(Decrease) in tax losses	6,103,650	(1,526,930)	6,103,650	(1,526,930)
Non taxable items	(211,820)	(1,748,555)	(360,669)	(529,250)
Total tax expense/(credit)	(663,756)	(2,815,322)	(955,246)	(1,498,211)

(e) **Final Tax assessments**

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

The Company has duly submitted its final tax returns for all previous years including 2012, with the final assessments for years prior to 2008 settled with the TRA.

The Company has received from TRA notices for the final assessments up to year 2008 which indicates tax losses of TZS 23,558,059,000 which has been agreed by the Company. Final assessments by TRA for financial years 2009 ,2010 ,2011 ,2013 and 2013 have not been communicated to the Company by TRA.

The Company's final tax return for the financial year ended 31 March 2013 is not yet due until 30 September 2013.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

24 SHARE CAPITAL

Authorised:

242,000,000 Ordinary Shares of TZS 20/= each

(2012: 242,000,000 Ordinary Shares of TZS 20/= each)

4,840,000 4,840,000 4,840,000 4,840,000

Issued and fully paid up:

160,469,800 Ordinary Shares of TZS 20/= each

(2012: 160,469,800 Ordinary Shares of TZS 20/= each)

3,209,396 3,209,396 3,209,396 3,209,396

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

There were no change in major shareholders during the year.

Share premium

10,490,987 10,490,987 10,490,987 10,490,987

Revaluation Reserves

The revaluation reserve is used to record increases in the fair value of items of property, plant and equipment and decreases to the extent that such decrease relates to a reversal of an increase on the same class of assets previously recognised in equity.

25 INTEREST BEARING LOANS AND BORROWINGS

	Average Interest rate	Maturity			
<u>Secured Bank term loans</u>					
Stanbic Tanzania Ltd-US\$ (Revolving loan)	8.88%	30.10.2013	2,343,645	-	2,343,645
		2008 -			
Citibank International Plc-US\$	4.28%	2022	147,636,777	160,793,273	160,793,273
Export Development Canada(EDC) - US\$	4.60%	2013-2022	42,299,031	-	42,299,031
KCB (T) Limited-US\$ (Hangar Loan)	9.00%	30.08.2015	4,559,193	6,007,255	6,007,255
Stanbic Bank Tanzania Limited-US\$ (Caravan)	5.50%	31.12.2013	2,912,770	2,485,253	2,485,253
Stanbic Bank Tanzania Limited-US\$	5.50%	31.12.2013	1,186,934	1,857,232	1,857,232
			200,938,349	171,143,012	200,938,349
					171,143,012
<u>Unsecured term loan</u>					
Other -Ground handling - US\$			-	204,901	-
			200,938,349	171,347,913	200,938,349
					171,143,012
<u>Secured Bank overdrafts</u>					
Kenya Commercial Bank - US\$	9.00%	on demand	3,100,342	3,355,211	3,355,211
Kenya Commercial Bank - TZS	16.00%	on demand	1,374,122	-	1,374,122
Stanbic Bank Tanzania Limited - US\$	9.50%	on demand	7,730,595	6,810,551	6,810,551
			12,205,058	10,165,761	12,205,058
					10,165,761
Grand total Interest Bearing loans and borrowings					
			213,143,407	181,513,675	213,143,407
					181,308,774
<i>Non-Current Interest bearing loans and borrowings</i>					
Current Interest bearing loans and borrowings			167,631,465	148,707,735	167,631,465
			45,511,942	32,805,940	45,511,942
			213,143,407	181,513,675	213,143,407
					181,308,774

The movement in secured term loans is as follows:

At the beginning of the year	171,347,913	176,976,208	171,143,012	175,758,457
Additional loans received	49,564,543	7,454,941	49,564,543	7,454,941
Translation loss through cashflow hedging reserve	-	10,095,867	-	10,095,867
Repaid in the year	(19,974,107)	(23,179,103)	(19,769,206)	(22,166,253)
At the end of the year	200,938,349	171,347,913	200,938,349	171,143,012

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

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

* KCB (T) Ltd (Hangar loan-USD 5,794,973)	-	1,903,069	-	1,903,069
** Stanbic Bank (Short term enhanced loan-US\$ 1,300,000)	826,586	378,420	826,586	378,420
** Stanbic Bank (Short term revolving loan -US\$ 700,000)	27,510	210,977	27,510	210,977

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

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

The Company failed to honour its matured loan obligations during the year amounting to USD 2,341,013 equivalent to TZS 3,740,938,412. This balance is reflected in the current portion of Interest bearing loans and borrowings. There were no other breaches during the year. The unpaid matured obligations relate to Citibank International Plc for US\$ 156,247 equivalent to TZS 249,684,048 and Export Development Canada(EDC) for US\$ 405,527 equivalent to TZS 648,030,973.

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

The loan was granted for the purpose of construction of hanger complex at Mwalimu Nyerere International Airport payable by 2015. The facility is secured by the hanger complex.

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

The overdrafts are secured by Chattels Mortgage over:

- Debenture over floating assets
- Assignment over monthly BSP receivables

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

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

The facilities are secured by:

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

Citibank International Plc loan in the aggregate amount of US\$ 127,000,000

- The purpose of the loan is to finance the acquisition of 5 ATR 72-500 and 2 ATR42-500.
- The seven Aircrafts have been delivered.
- The loan is secured by the aircrafts that have been delivered.

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

Export Development Canada(EDC) US\$

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

PRECISION AIR SERVICES PLC

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	Group	Group	Company	Company
	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
	TZS '000	TZS '000	TZS '000	TZS '000
26 TRADE AND OTHER PAYABLES				
Trade payables - third parties	32,729,891	24,154,444	32,597,791	24,154,444
Trade payables - related parties [Note 27]	10,085,218	9,727	10,085,218	9,727
Advances from customers	392,419	21	392,419	21
Sales in advance of carriage	5,811,301	1,004,079	5,811,301	1,004,079
Accruals and other creditors	22,970,361	13,499,535	22,487,091	13,499,535
	71,989,190	38,667,806	71,373,820	38,667,806

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

United States Dollars	USD	35,079,737	10,618,471	35,079,737	10,618,471
Euro	EURO	518,763	689,015	518,763	689,015
Great Britain Pound	GBP	76,084	73,210	76,084	73,210
South African Rand	ZAR	31,411	669,018	31,411	669,018
Kenya Shillings	KES	156,035	108,946	156,035	108,946
		35,862,030	12,158,659	35,862,030	12,158,659

For terms and conditions relating to related party payables, refer to Note 27.

Trade and other payables are non-interest bearing and are normally settled within three months.

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

27 RELATED PARTY DISCLOSURES**(i) Key management remuneration**

Short term benefits	263,273	263,273	263,273	263,273
Post employment benefits	7,927	7,927	7,927	7,927
Directors allowances	66,408	50,085	66,408	50,085
	337,608	321,285	337,608	321,285

Key Management personnel include the Managing Director and Chief Executive Officer.

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

Kenya Airways Limited	31,864,553	15,860,581	31,864,553	15,860,581
Ngaleku Children's Home Contribution	4,409	4,467	4,409	4,467

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

Kenya Airways Limited	4,416,626	465,362	4,416,626	465,362
Precise Systems Limited	-	-	1,289	-

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

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

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

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

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

(i) Balances due from related parties

Precision Handling Limited	-	-	2,808,032	2,359,182
Kenya Airways Limited	-	758,767	-	758,767
	-	758,767	2,808,032	3,117,949

(ii) Balances due to related parties

Ngaleku Children's Home Contribution	1,835	9,727	1,835	9,727
Kenya Airways Limited	10,083,383	-	10,083,383	-
	10,085,218	9,727	10,085,218	9,727

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made at market prices. 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 2013 the Company has not recorded any impairment of receivables relating to amounts owed by related parties (March 2012: Nil). The assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28 LEASE COMMITMENTS**Operating lease**

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

As at the end of the year the company had two leased aircraft (2012: only one leased aircraft)

Within one year	4,007,784	5,059,157	4,007,784	5,059,157
After one year but not more than five years	8,418,264	17,372,956	8,418,264	17,372,956
More than five years	-	-	-	-
	12,426,048	22,432,113	12,426,048	22,432,113

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

29 OTHER COMMITMENTS**Guarantee**

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

Capital commitment

The Group has no capital commitments as at year end.

30 SEGMENT REPORTING

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

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

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

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

31 CONTINGENCIES

Legal claims

As at 31 March 2013, the Group is a defendant in the following legal actions:

- **Saadon Enterprises Ltd vs. Precision Air Services PLC (Kisumu Resident Magistrates' Court, filed in 2008).**

The plaintiff is suing the airline for payment of hire fees and the surrender of a motor vehicle in the state as it was, before the hire as a result of damage caused by the defendant's driver's recklessness which caused a serious road accident and damage to the motor vehicle. The plaintiff is seeking payment of TZS 50,000 per day from May 1, 2007 to the date of judgement.

- **Zanzibar Beach Resort vs. Precision Air Services PLC (High Court of Tanzania, filed in 2010).**

The plaintiff is claiming payment of disputed invoices amounting to USD 345,550.95 being the principal sum and interest, for hotel accommodation and catering services rendered. The ruling is on notice and the parties will be informed by the court once it is ready.

- **Airplanes Finance Limited vs. Precision Air Services PLC, Queen's Bench Division, United Kingdom.**

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

- **Unique Car Rentals & Travel Agency Ltd vs. Precision Air Services PLC, (High Court, Dar es Salaam)**

The plaintiff claims against the defendant for immediate payment of TZS 748,316,037 being a claim for the outstanding motor vehicles rental charges and TZS 140,000,000 being a claim arising out of the defendant's failure to issue one month written notice before terminating the contract plus interest, damages and costs.

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

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

32 EMPLOYEES

Number of employees for the Group at the end of the year was 717 (2012: 704).

33 EARNINGS PER SHARE

- a. Basic earnings per share is calculated on the profit or loss after tax attributable to ordinary equity holders divided by the weighted average number of ordinary shares outstanding during the year. This is calculated by dividing (loss)/ profit for the year (after tax) by the number of issued and fully paid ordinary shares i.e. 160,469,800 (2012: 160,469,800).
- b. Diluted earnings per share is calculated on the profit or loss after tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding after adjustment of dilutive potential ordinary shares.
- c. The basic and diluted earnings per share are the same as there are no dilutive instruments.

34 FINANCIAL RISK MANAGEMENT

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

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

a. Liquidity risk

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

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

<u>GROUP AND COMPANY</u>	On demand TZS' Billion	Less than 1 year TZS' Billion	Between 1 year and five years TZS' Billion	After five years TZS' Billion	Total TZS' Billion
At 31 March 2013					
Interest bearing borrowings	12	54	133	49	248
Trade and other payables	<u>-</u>	<u>72</u>	<u>-</u>	<u>-</u>	<u>72</u>
	<u>12</u>	<u>126</u>	<u>133</u>	<u>49</u>	<u>320</u>
At 31 March 2012					
Interest bearing borrowings	10	35	84	68	197
Trade and other payables	<u>39</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>39</u>
	<u>10</u>	<u>74</u>	<u>84</u>	<u>68</u>	<u>235</u>

b. Treasury risk management

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

c. Foreign currency risk

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

As at the reporting date the Group held significant foreign currency exposure resulting mainly from loans denominated in United States dollars.

Foreign currency risk is managed at an operational level and monitored by the Finance Department. The Group utilises its US dollar debt repayments as a hedge of future US dollar revenues.

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

	Increase/ decrease in the value of TZS vs. US Dollar	Effect on profit before tax TZS'000	Effect on equity TZS'000
<u>Group and Company</u>			
Net effect based on statement of financial position as at 31 March 2013	+3%	-7,208,000	-5,406,000
	-3%	+7,208,000	+5,406,000
Net effect based on statement of financial position as at 31 March 2012	+3%	-5,228,000	-3,921,000
	-3%	+5,228,000	+3,921,000

d. Interest rate risk

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

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

	Increase/ decrease in interest rate	Effect on profit before tax TZS'000	Effect on equity TZS'000
<u>Group and Company</u>			
Net effect based on statement of financial position as at 31 March 2013	+1%	-81,702	-81,702
	-1%	+81,702	+81,702
Net effect based on statement of financial position as at 31 March 2012	+1%	-75,733	-75,733
	-1%	+75,733	+75,733

e. Credit risk management

Credit risk is the risk that a customer or counter party to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. Potential concentration of credit risk consists principally of short term cash and cash equivalents, and trade receivables. The Group deposits short term cash surpluses only with major banks of high credit standing.

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

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

f. Credit risk management

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

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

Maximum exposure

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

	Group		Company	
	2013	2012	2013	2012
	TZS'000	TZS'000	TZS'000	TZS'000
Cash and cash equivalents	3,699,167	6,618,856	3,584,824	6,618,856
Trade and other receivables	17,865,092	14,685,762	19,633,236	17,044,943
Other financial assets	<u>1,886,936</u>	<u>10,439,041</u>	<u>1,886,936</u>	<u>10,439,041</u>
	<u>23,451,195</u>	<u>31,743,659</u>	<u>25,134,996</u>	<u>34,097,585</u>

g. Fuel price risk

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

35 HEDGES

Cash flow hedges

At 31 March 2013 the Group and Company held one principal risk management activity that was designated as hedges of future forecast transactions. There was a hedge of a proportion of future long-term revenue receipts by future debt repayments in foreign currency hedging future foreign exchange risk. To the extent that the hedge was assessed as highly effective, the amounts included in equity as detailed below:

	2012	Charged to other comprehensive income	2013
<u>GROUP AND COMPANY</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>
Year ended 31 March 2013			
Debt repayments to hedge future revenue	(24,639,502)	-	(24,639,502)
Related deferred tax charge	7,391,851	-	7,391,851
Total amount included within equity	(17,247,651)	-	(17,247,651)

There was ineffective portion of the hedge during the year amounting to TZS 266 million which has been directly charged to loss for the year through foreign exchange losses (2012: Nil).

	2011	Charged to other comprehensive income	2012
<u>GROUP AND COMPANY</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>
Year ended 31 March 2012			
Debt repayments to hedge future revenue	(14,543,635)	(10,095,867)	(24,639,502)
Related deferred tax charge	4,363,091	2,523,967	6,887,058
Total amount included within equity	(10,180,544)	(7,571,900)	(17,752,444)

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

<u>Group</u>	<u>Fair values</u>		<u>Carrying amount</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</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	17,865,092	14,685,762	17,865,092	14,685,762
Other financial assets	1,886,936	10,439,041	1,886,936	10,439,041
Cash and short-term deposits	3,699,167	6,618,856	3,699,167	6,618,856
<u>Financial liabilities</u>				
Interest bearing loans and borrowings	354,133,250	311,834,219	213,143,407	181,513,675
Trade and other payables	71,989,190	38,667,806	71,989,190	38,667,806

36 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Company	Fair values		Carrying amount	
	2013	2012	2013	2012
	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>
<u>Financial assets</u>				
Trade and other receivables	19,663,236	14,685,762	19,663,236	14,685,762
Other financial assets	1,886,936	10,439,041	1,886,936	10,439,041
Cash and short-term deposits	3,584,824	6,618,856	3,584,824	6,618,856
<u>Financial liabilities</u>				
Interest bearing loans and borrowings	354,133,250	311,834,219	213,143,407	181,308,774
Trade and other payables	71,373,820	38,667,806	71,373,820	38,667,806

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

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Group did not have at the reporting date any financial assets and liabilities measured at fair value.

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

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

37 CAPITAL MANAGEMENT DISCLOSURES AND ANALYSIS OF CHANGES IN NET DEBT

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

The Group is not subject to any externally imposed capital requirements. The Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the years end 31 March 2013 and 31 March 2012.

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

At 31 March 2013, the net debt ratio was 104.10% (2012: 91.80%). The Group does not have a targeted debt ratio.

	2013 TZS'000	2012 TZS'000
<u>Gross debt</u>		
Interest bearing loans and borrowings	213,143,407	181,513,675
Trade and other payables	71,989,190	38,667,806
Cash and bank balances	(3,699,167)	(6,618,856)
Net Debt	281,433,430	213,562,625
Equity	(11,066,405)	19,081,980
 Capital and net debt	 270,367,025	 232,644,605
 Net Debt Ratio	 104.10%	 91.80%

38 SUBSEQUENT EVENTS

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

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Notes

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