

**PRECISION AIR SERVICES PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

# PRECISION AIR SERVICES PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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# PRECISION AIR SERVICES PLC

## CORPORATE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

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

# PRECISION AIR SERVICES PLC

## HIGHLIGHTS FOR THE YEAR ENDED 31 MARCH 2017

	<b>31-Mar-17</b>	<b>31-Mar-16</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Revenue		
Passenger	79,755,660	68,952,163
Interline commissions	113,162	286,227
Freight and Mail	915,871	725,361
Cancellation income	300,277	357,034
No show fees and other charges	1,295,367	2,312,680
Fuel surcharge	14,657,708	20,787,521
<b>Total</b>	<b>97,038,045</b>	<b>93,420,986</b>
Direct expenditure	(78,873,683)	(63,626,807)
<b>Gross profit/(loss)</b>	<b>18,164,362</b>	<b>29,794,179</b>
<b>Gross profit margin %</b>	<b>24%</b>	<b>32%</b>
Operating loss	(2,971,158)	(27,385,587)
Loss before income tax	(26,940,584)	(96,183,522)
Income tax expense	(301,581)	(292,173)
<b>Loss for the year</b>	<b>(27,242,165)</b>	<b>(96,475,695)</b>
Comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(27,242,165)</b>	<b>(96,475,695)</b>

### OPERATING STATISTICS

	<b>31-Mar-17</b>	<b>31-Mar-16</b>
Passengers	408,807	374,877
Revenue Passenger per Kilometre (RPK's) ('000)	194,791	160,662
Available Seats per Kilometre (ASK's) ('000)	375,796	311,213
Passenger Load factor	52%	52%
Yield per RPK - USc	18.33	19.59
Employees	436	509
ASK's per employee - '000	862	611
Revenue per employee - US\$'000	100	92
Profit/(Loss) per employee - US\$'000	(22.52)	(76.38)
Block hours	<b>17,296</b>	<b>14,613</b>
<b>Fleet size at year end</b>		
ATR 72 - 500	5	5
ATR 42 - 600	2	2
ATR 42 - 500	2	2
ATR 42 - 320	1	1
<b>Total numbers of aircraft</b>	<b>10</b>	<b>10</b>
<b>Grounded aircrafts</b>		
ATR 42 - 320	1	1
ATR 42 - 600	2	2
ATR 42 - 500	-	1
ATR 72 - 500	-	1
<b>Total</b>	<b>3</b>	<b>5</b>

# PRECISION AIR SERVICES PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017

### 1 INTRODUCTION

The Directors present their report together with the audited financial statements for the financial year ended 31 March 2017 which disclose the state of affairs of Precision Air Services Plc (the "Company") and its subsidiaries (together the "Group").

The financial statements for the year ended 31 March 2017 were approved and authorised for issue by directors as indicated on the statement of financial position.

### 2 INCORPORATION

The Company and its subsidiaries are incorporated in Tanzania.

### 3 GROUP'S VISION

"To be the airline of choice"

### 4 GROUP'S MISSION

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

### 5 PRINCIPAL ACTIVITIES

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

The Company flies to eleven (2016: nine) destinations within and outside Tanzania. (Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Kigoma, Tabora, Zanzibar, Nairobi, Musoma, Hahaya).

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

### 6 PERFORMANCE FOR THE YEAR

#### Capacity Offered to Market

The Available Seats per Kilometre (ASK) released to the market amounted to 376 million against a prior year level of 311 million, an increase of 21%.

#### Capacity Utilised

Total passengers carried in the network during the financial year was 408,807 compared to a prior year level of 374,877 thus an increase of 9% compared to prior year. The increase is due to additional capacity offered during the year by 6<sup>th</sup> aircraft.

The Revenue Passenger per Kilometre (RPK) achieved from the market was 195 million against prior year level of 161 million; thus an increase of 21% compared to prior year.

#### Yields

Yield per RPK achieved during the year was 18.33 US Cents (USc) compared to a prior year level of USc 19.59.

#### Profitability

Whereas the Company recorded a loss of TZS 29.8 billion during the year (2016: loss of TZS 96 billion); the Group recorded a loss of TZS 27.2 billion (2016: loss of TZS 96.5 billion). Detailed financial results of the Group and Company for the year are set out on page 17.

## **PRECISION AIR SERVICES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017**

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

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

- Stabilization of the operations- continue with engine overhauls to operate a minimum of 7 aircraft and later move to 9 to enhance operational reliability;
- Leverage on the good OTP to retain and increase customer base.
- Increase of frequencies on niche markets and launch operations into new routes both domestic and within the region;
- Continuous steering and selective increase of fares depending on demand;
- Restructure the entire business and create efficiencies; including staff rationalization to enhance productivity in line with the active number of aircraft & continuous review of all processes to increase productivity
- Leverage online platforms and applications for greater reach and cost efficiencies.
- Revival of the JV agreement with KQ in order to increase feeds/defeeds onto PW network;
- Pursue generation of additional revenues through creation of an MRO and other ancillary streams.
- Restructure aircraft loan facility and entire balance sheet, and
- Continuous engagement of creditors to agree on payments plans based on paying ability of the company and in line with projected cash flows.

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

During the year, there was no fluctuation in the Company's share price. At the close of the financial year the Company's share was trading at the Dar es Salaam Stock exchange at TZS 470 per share (2016: TZS 470 per share).

#### **9 DIVIDENDS**

The Directors do not recommend payment of dividend (2016: Nil).

#### **10 SUBSEQUENT EVENTS**

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

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

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

The Group recorded a net loss of TZS 27.2 billion for the year ended 31 March 2017 (31 March 2016: loss of TZS 96.5 billion) and as at that date, the Group's current liabilities exceeded its current assets by TZS 418 billion (31 March 2016: TZS 383 billion). The Group was also in a shareholders' deficit position of TZS 249 billion as at that date (31 March 2016: TZS 221 billion).

Furthermore, the Company recorded a net loss of TZS 29.8 billion for the year ended 31 March 2017 (31 March 2016: loss of TZS 96.0 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 418 billion (31 March 2016: TZS 380 billion). The Company was also in a shareholders' deficit position of TZS 250 billion as at that date (31 March 2016: TZS 220 billion).

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

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

## PRECISION AIR SERVICES PLC

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

#### 12 RELATED PARTY TRANSACTIONS

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

#### 13 CAPITAL STRUCTURE

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

##### Authorised Share Capital

242,000,000 ordinary shares of TZS 20 each (2016: 242,000,000 ordinary shares of TZS 20 each).

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

160,472,720 ordinary shares of TZS 20 each (2016: 160,472,720 ordinary shares of TZS 20 each).

##### Share premium

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

##### Long Term Loans

The Group is financed by loans amounting to TZS 316 billion as at year end (2016: TZS 306 billion). For more details, refer to Note 23 of the financial statements.

#### 14 SHAREHOLDING

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

Name	2017		2016	
	No. of shares	% Shareholding	No. of shares	% Shareholding
Michael N. Shirima	68,857,650	42.91	68,857,650	42.91
Kenya Airways Limited	66,157,350	41.23	66,157,350	41.23
Public	25,457,720	15.86	25,457,720	15.86
	<b>160,472,720</b>	<b>100.00</b>	<b>160,472,720</b>	<b>100.00</b>

## PRECISION AIR SERVICES PLC

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

#### 14 SHAREHOLDING (CONTINUED)

The distribution of shareholders as at 31 March 2017 were as follows:

<u>Name of shareholder</u>	<u>No. of shares</u>	<u>% Shares</u>	<u>Type</u>	<u>Nationality</u>
Michael N. Shirima	68,857,650	42.91%	Individual	Tanzanian
Kenya Airways Ltd	66,157,350	41.23%	Corporate	Kenyan
Precision Air Employee Share Option Scheme	1,765,300	1.10%	Corporate	Tanzanian
Damas Dismas Kamani	475,700	0.30%	Individual	Tanzanian
Fahad Saleh Nahdi	421,000	0.26%	Individual	Tanzanian
Shinyanga Emporium (1978) Ltd	400,000	0.25%	Corporate	Tanzanian
Tanzania Standard (News Papers) Ltd	300,000	0.19%	Corporate	Tanzanian
Quality Group Ltd	210,500	0.13%	Corporate	Tanzanian
Raj Chintan Kakkad	200,000	0.12%	Minor	Tanzanian
Shilpa Pratish Kakkad	200,000	0.12%	Individual	Tanzanian
Chintan Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Dhiraj Chintan Kakkad	200,000	0.12%	Individual	Tanzanian
Pratish Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Than Investments Ltd	200,000	0.12%	Corporate	Tanzanian
NICOL (T) Ltd	200,000	0.12%	Corporate	Tanzanian
Others individually holding less than 0.12%	20,485,220	12.79%		
	<b>160,472,720</b>	<b>100.00%</b>		

#### 15 COMPOSITION OF THE BOARD OF DIRECTORS

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

<u>Name</u>	<u>Title</u>	<u>Age</u>	<u>Nationality</u>
Mr Michael N. Shirima	Chairman	73 years	Tanzanian
Mr Mbuvi Nguze (Retired 1 June 2017)	Director	49 years	Kenyan
Mr Vincent M. Shirima	Director	41 years	Tanzanian
Mr Ron Schipher (Appointment Revoked 20 March 2018)	Director	71 years	Dutch
Mrs Elizabeth Minde Resigned 15 Feb 2018	Director	68 years	Tanzanian
Mr. Sebastian Mikosz (Joined 1 June 2017; Retired 18 April 2018)	Director	44 years	Polish
Mr. Aveline Msaki	Director	42 years	Tanzanian
Mr. Vincent Coste (Joined 20 March 2018)	Director	48 years	Kenyan
Ms. Hellen Muthoni Mathuka (Joined 20 March 2018)	Director	43 years	Kenyan
Mr. Abdulrahman Omar Kinana (Joined 18 April 2018)	Director	66 years	Tanzania

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

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

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

#### 17 DIRECTORS' EMOLUMENTS

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



## **PRECISION AIR SERVICES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017**

#### **18 ORGANISATION STRUCTURE**

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

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

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

The key management personnel who served the Group during the year ended 31 March 2017 were:

Ms Sauda Rajab	-	Group Managing Director & CEO
Mr Elly Osewe	-	Finance Director
Mr Robert Owusu	-	Commercial Director
Ms Reynada Sikira	-	Director Human Resources
Mr Ngambi Mamuya	-	Director Operations
Mr Gennaro Sicureza	-	Technical Director
Ms Christine Cyprian	-	Director Ground Handling
Mr Patrick Mwanri	-	Head Quality and Safety
Mr Mramba Nkalang'ango	-	Head Information Systems
Ms Anale John	-	Head of Internal Audit
Mr Migire Migire		Head of Legal

With the exception of 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 significant accounting policies, which are laid out on pages 27 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 99% of its share capital is held by the Company. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a licence to serve other third party airlines. The subsidiary's share capital is yet to be allotted and paid in as the licence to serve third parties is yet to be obtained.

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

There was no material disposal or acquisition of business during year 2017 (2016: Nil). Acquisitions and disposals of property and equipment are disclosed on Note 13 of the financial statements.

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

During the year, the Group contributed TZS 4.4 million (2016: TZS 2.6 Million) to community projects and other charitable organizations. No political donations were made during the year (2016: Nil).

## **PRECISION AIR SERVICES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017**

#### **24 EMPLOYEES' WELFARE**

##### **Management and Employees' Relationship**

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

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

##### **Training Facilities**

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

##### **Medical Assistance**

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

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

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

##### **Retirement Benefits**

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

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

The number of employees in the Group at the end of year totalled 436 as compared to 509 at the end of year 2016.

#### **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 2017, the Group had 277 (64%) male and 159 (36%) female employees (2016: 321 (63%) male and 188 (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 within the organization and all necessary assistance is given with initial training. Where an employee becomes disabled during the course of his or her employment, the Group will seek suitable alternate employment and necessary training thereof. The Group's policy is not discriminatory against people with regards to race, gender, religion or disability

## **PRECISION AIR SERVICES PLC**

### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017**

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

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

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

#### **Board of Directors**

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

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

#### **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, Ms. Hellen Mwariri and Mr. Avalyn Msaki. Its responsibilities include review of the financial statements, compliance with Accounting Standards, liaison with the external auditors, remuneration of the external auditors, and maintaining oversight on internal control systems. The Chief Internal Auditor, Finance Director and Managing Director / Chief Executive Officer attend all meetings of the committee. The external auditors attend the meetings on invitation.

#### **Internal controls**

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

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

#### **Code of ethics**

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

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

The aggregate amount of emoluments paid to Directors for services rendered during the financial year 2017 are disclosed in Note 25(b) of the financial statements. Neither at the end of the financial year nor at any time during the year was there any arrangement to which the Group is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares. There were no directors' loans at any time during the year.

## PRECISION AIR SERVICES PLC

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

#### 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.

#### 29 SECRETARY TO THE BOARD

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

#### 30 STATEMENT OF COMPLIANCE

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

#### 31 AUDITOR

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

A resolution proposing the reappointment of PricewaterhouseCoopers as auditors of the Company for the year ended 31 March 2018 will be put to the Annual General Meeting.

#### BY THE ORDER OF THE BOARD

\_\_\_\_\_  
Mr. Michael Shirima  
Chairperson

\_\_\_\_\_  
Date

\_\_\_\_\_  
Ms Suda Rajab  
Managing Director & CEO

\_\_\_\_\_  
Date

## PRECISION AIR SERVICES PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

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

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Mr. Michael Shirima  
**Chairperson**

---

**Date**

---

Ms Suda Rajab  
**Managing Director & CEO**

---

**Date**

## **PRECISION AIR SERVICES PLC**

### **DECLARATION OF THE DIRECTOR OF FINANCE FOR THE YEAR ENDED 31 MARCH 2017**

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility of the preparation of financial statements rests with the Board of Directors as declared under the Directors' Responsibility statement on page 11.

I, Elly Osewe, being the Director of Finance of Precision Air Services PLC hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 March 2017 have been prepared in compliance with applicable accounting standards and Companies Act No.12 of 2002.

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

Signed By:

\_\_\_\_\_

ELLY OSEWE

Date \_\_\_\_\_

**Director of Finance**

**NBAA Membership No.** \_\_\_\_\_

# *Independent auditor's report*

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

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

---

#### *Our opinion*

In our opinion, the Group and Company financial statements give a true and fair view of the Group and Company financial position of Precision Air Services Plc (the Company) and its subsidiaries (together the Group) as at 31 March 2017, and of its Group and Company financial performance and its Group and Company cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No. 12 of 2002.

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

The Precision Air Services Plc's Group and Company financial statements as set out on pages 17 to 76 comprise:

- the Group and Company statements of financial position as at 31 March 2017;
  - the Group and Company statements of profit or loss and other comprehensive income for the year then ended;
  - the Group and Company statements of changes in equity for the year then ended;
  - the Group and Company statements of cash flows for the year then ended; and
  - the notes to the financial statements, which include a summary of significant accounting policies.
- 

#### *Basis for opinion*

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

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

#### **Independence**

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

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

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

1. The Group;
  - had its current liabilities exceed its current assets at 31 March 2017 by TZS 418 billion (31 March 2016: TZS 383 billion); and that
  - it was also in a shareholders' deficit position at 31 March 2017 of TZS 249 billion (31 March 2016: TZS 221 billion).
2. The Company;
  - had its current liabilities exceed its current assets at 31 March 2017 by TZS 418 billion (31 March 2016: TZS 380 billion); and that
  - it was also in a shareholders' deficit position at 31 March 2017 of TZS 250 billion (31 March 2016: TZS 220 billion).
3. There are significant uncertainties in the profitability and cash flow projections prepared as a basis for adopting the going concern concept of preparing financial statements.

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

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

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

*Key audit matters*

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

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Revenue recognition – completeness and accuracy of revenue recorded</i></p> <p>There is an inherent risk around the completeness and accuracy of revenue and sales in advance of carriage recorded. This arises from the manual interventions between the underlying operational systems and the general ledger.</p> <p>Refer to Note 3 (e) on accounting policy on revenue recognition and Note 6 for disclosures on revenue.</p>	<p>We assessed and tested the design and operating effectiveness of the Information Technology (IT) general controls over the general ledger.</p> <p>We carried out substantive testing on revenue and sales in advance of carriage for occurrence, completeness and accuracy.</p>

*Other information*

The directors are responsible for the other information. The other information comprises corporate information, highlights for the year ended 31 March 2017, directors' report, statement of directors' responsibilities and the declaration of the director of finance which we obtained prior to the date of this auditor's report, and other information that will be included in the Annual Report which is expected to be made available to us after the date of this auditor's report. Other information does not include the Group and Company financial statements and our auditor's report thereon.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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*Report on other legal and regulatory requirements*

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

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

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Patrick Kiambi, TACPA – PP

**For and on behalf of PricewaterhouseCoopers**

Certified Public Accountants

Dar es Salaam

Date \_\_\_\_\_

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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

	<b>Note</b>	<b>Group 31-Mar-17 TZS '000</b>	<b>Group 31-Mar-16 TZS '000 Restated</b>	<b>Company 31-Mar-17 TZS '000</b>	<b>Company 31-Mar-16 TZS '000 Restated</b>
<b>Revenue</b>	6	<b>97,038,045</b>	93,420,986	<b>97,038,045</b>	93,420,986
Cost of sales	7	<b>(78,873,683)</b>	(63,626,807)	<b>(78,873,683)</b>	(63,626,807)
<b>Gross Profit</b>		<b>18,164,362</b>	29,794,179	<b>18,164,362</b>	29,794,179
Other income	8	<b>497,019</b>	601,848	<b>497,019</b>	601,848
Marketing expenses	9	<b>(1,691,296)</b>	(1,101,809)	<b>(1,691,296)</b>	(1,101,809)
Net increase in impairment provisions for trade receivables	18	<b>(198,673)</b>	(16,919,142)	<b>(2,954,126)</b>	(16,919,142)
Administrative expenses	10	<b>(39,818,933)</b>	(39,760,663)	<b>(39,622,366)</b>	(39,578,224)
Reversal of impairment loss on aircrafts	13	<b>10,337,838</b>	-	<b>10,337,838</b>	-
Reversal of fair value loss on aircrafts	34	<b>9,738,525</b>	-	<b>9,738,525</b>	-
<b>Operating loss</b>		<b>(2,971,158)</b>	(27,385,587)	<b>(5,530,044)</b>	(27,203,148)
Finance costs	11	<b>(15,514,528)</b>	(18,055,903)	<b>(15,514,528)</b>	(18,055,903)
Loss on foreign currency exchange	12	<b>(8,454,898)</b>	(50,742,032)	<b>(8,454,898)</b>	(50,430,309)
<b>Loss before income tax</b>		<b>(26,940,584)</b>	(96,183,522)	<b>(29,499,470)</b>	(95,689,360)
Income tax expense	21(b)	<b>(301,581)</b>	(292,173)	<b>(301,581)</b>	(272,255)
<b>Loss for the year</b>		<b>(27,242,165)</b>	(96,475,695)	<b>(29,801,051)</b>	(95,961,615)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss</b>		<b>(27,242,165)</b>	(96,475,695)	<b>(29,801,051)</b>	(95,961,615)
Basis and diluted earnings per share (TZS)	31	<b>(169.76)</b>	(601.20)	<b>(185.71)</b>	(597.99)

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

STATEMENTS OF FINANCIAL POSITION

	<u>Notes</u>	<b>Group 31-Mar-17 TZS '000</b>	Group 31-Mar-16 TZS '000 Restated	Group 31-Mar-15 TZS '000 Restated	<b>Company 31-Mar-17 TZS '000</b>	Company 31-Mar-16 TZS '000 Restated	Company 31-Mar-15 TZS '000 Restated
<b>ASSETS</b>							
<b>Non-current assets</b>							
Property and equipment	13	<b>168,720,423</b>	115,114,463	122,820,895	<b>168,007,867</b>	113,839,101	121,343,310
Intangible assets	14	<b>682,638</b>	290,582	333,016	<b>476,493</b>	61,840	104,274
Investment in subsidiaries	15	-	-	-	-	-	80,419
Other non-current financial assets	16	<b>7,966</b>	7,808	6,405	<b>7,966</b>	7,808	6,405
Deferred income tax	21(d)	-	-	19,920	-	-	-
		<b><u>169,411,027</u></b>	<u>115,412,853</u>	<u>123,180,236</u>	<b><u>168,492,326</u></b>	<u>113,908,749</u>	<u>121,534,408</u>
<b>Current assets</b>							
Inventories	17	<b>9,829,142</b>	8,331,665	8,874,968	<b>9,829,142</b>	8,331,665	8,874,968
Trade and other receivables	18	7,546,080	7,941,040	8,866,188	7,598,659	11,209,122	10,309,242
Prepayments	19	<b>127,008</b>	28,825	510,908	<b>127,008</b>	28,825	510,908
Other current financial assets	16	<b>1,683,793</b>	4,096,974	3,614,104	<b>1,683,793</b>	4,096,974	3,614,104
Cash and short-term deposits	20	<b>736,278</b>	4,715,374	1,306,581	<b>683,379</b>	4,662,110	1,264,584
		<b><u>19,922,301</u></b>	<u>25,113,878</u>	<u>23,172,749</u>	<b><u>19,921,981</u></b>	<u>28,328,696</u>	<u>24,573,806</u>
Non-current assets held for sale	34	-	46,488,681	46,488,681	-	46,488,681	46,488,681
<b>TOTAL ASSETS</b>		<b><u>189,333,328</u></b>	<u>187,015,412</u>	<u>192,841,666</u>	<b><u>188,414,307</u></b>	<u>188,726,126</u>	<u>192,596,895</u>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

<b><u>EQUITY AND LIABILITIES</u></b>	<b><u>Notes</u></b>	<b>Group <u>31-Mar-17</u> TZS '000</b>	<b>Group <u>31-Mar-16</u> TZS '000 Restated</b>	<b>Group <u>31-Mar-15</u> TZS '000 Restated</b>	<b>Company <u>31-Mar-17</u> TZS '000</b>	<b>Company <u>31-Mar-16</u> TZS '000 Restated</b>	<b>Company <u>31-Mar-15</u> TZS '000 Restated</b>
<b>Equity</b>							
Share capital	22	<b>3,209,454</b>	3,209,454	3,209,454	<b>3,209,454</b>	3,209,454	3,209,454
Share premium	22	<b>10,490,987</b>	10,490,987	10,490,987	<b>10,490,987</b>	10,490,987	10,490,987
Accumulated losses		<b>(262,283,960)</b>	(235,041,795)	(138,566,100)	<b>(263,202,981)</b>	(233,401,930)	(137,440,315)
		<b><u>(248,583,519)</u></b>	<u>(221,341,354)</u>	<u>(124,865,659)</u>	<b><u>(249,502,540)</u></b>	<u>(219,701,489)</u>	<u>(123,739,874)</u>
<b>Current liabilities</b>							
Borrowings	23	<b>315,750,972</b>	306,206,136	239,669,768	<b>315,750,972</b>	306,206,136	239,669,768
Trade and other payables	24	<b>75,055,709</b>	75,697,431	59,528,260	<b>75,055,709</b>	75,706,642	58,096,006
Provisions		<b>22,266,717</b>	14,530,345	9,189,080	<b>22,266,717</b>	14,530,345	9,189,080
Sales in advance of carriage		<b>23,202,273</b>	10,372,646	7,738,331	<b>23,202,273</b>	10,372,646	7,738,331
Current income tax	21(a)	<b>1,641,176</b>	1,550,208	1,581,886	<b>1,641,176</b>	1,611,846	1,643,584
		<b><u>437,916,847</u></b>	<u>408,356,766</u>	<u>317,707,325</u>	<b><u>437,916,847</u></b>	<u>408,427,615</u>	<u>316,336,769</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>189,333,328</u></b>	<u>187,015,412</u>	<u>192,841,666</u>	<b><u>188,414,307</u></b>	<u>188,726,126</u>	<u>192,596,895</u>

The financial statements on page 17 to 76 were approved by the board of directors and authorised for issue on \_\_\_\_\_ and were signed on its behalf by:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**STATEMENTS OF CHANGES IN EQUITY**

<u>Group</u>	<u>Note 22 Issued capital</u> TZS '000	<u>Note 22 Share premium</u> TZS '000	<u>Accumulated losses</u> TZS '000	<u>Total equity</u> TZS '000
<b>Year ended 31 March 2017</b>				
At 1 April 2016				
- As previously stated	3,209,454	10,490,987	(219,664,540)	(205,964,099)
- Prior year adjustments (Note 35)	-	-	(15,377,255)	(15,377,255)
<b>As restated</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(235,041,795)</b>	<b>(221,341,354)</b>
Loss for the year	-	-	(27,242,165)	(27,242,165)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(27,242,165)</b>	<b>(27,242,165)</b>
<b>At 31 March 2017</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(262,283,960)</b>	<b>(248,583,519)</b>
<b>Year ended 31 March 2016</b>				
At 1 April 2015				
- As previously stated	3,209,454	10,490,987	(127,988,503)	(114,288,062)
- Prior year adjustments (Note 35)	-	-	(10,577,597)	(10,577,597)
<b>As restated</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(138,566,100)</b>	<b>(124,865,659)</b>
Loss for the year	-	-	(91,676,037)	(91,676,037)
- As previously reported	-	-	(4,799,658)	(4,799,658)
- Prior year adjustments (Note 35)	-	-	(96,475,695)	(96,475,695)
<b>As restated</b>	<b>-</b>	<b>-</b>	<b>(96,475,695)</b>	<b>(96,475,695)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(96,475,695)</b>	<b>(96,475,695)</b>
<b>At 31 March 2016</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(235,041,795)</b>	<b>(221,341,354)</b>
<b>Year ended 31 March 2015</b>				
At 1 April 2014				
- As previously stated	3,209,454	10,490,987	(36,825,044)	(23,124,603)
- Prior year adjustments (Note 35)	-	-	(7,655,113)	(7,655,113)
<b>As restated</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(44,480,157)</b>	<b>(30,779,716)</b>
Loss for the year	-	-	(83,897,898)	(83,897,898)
- As previously stated	-	-	(2,922,484)	(2,922,484)
- Prior year adjustments (Note 35)	-	-	(86,820,382)	(86,820,382)
<b>As restated</b>	<b>-</b>	<b>-</b>	<b>(86,820,382)</b>	<b>(86,820,382)</b>
Other comprehensive loss	-	-	(7,265,561)	(7,265,561)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(94,085,943)</b>	<b>(94,085,943)</b>
<b>At 31 March 2015</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(138,566,100)</b>	<b>(124,865,659)</b>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

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

<u>Company</u>	Note 22 Issued capital TZS '000	Note 22 Share premium TZS '000	Accumulated losses TZS '000	Total equity TZS '000
<b>Year ended 31 March 2017</b>				
At 1 April 2016				
- As previously stated	3,209,454	10,490,987	(218,024,675)	(204,324,234)
- Prior year adjustments (Note 35)	-	-	(15,377,255)	(15,377,255)
<b>As restated</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(233,401,930)</b>	<b>(219,701,489)</b>
Loss for the year	-	-	-	-
Other comprehensive income	-	-	(29,801,051)	(29,801,051)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(29,801,051)</b>	<b>(29,801,051)</b>
<b>At 31 March 2017</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(263,202,981)</b>	<b>(249,502,540)</b>
<b>Year ended 31 March 2016</b>				
At 1 April 2015				
- As previously stated	3,209,454	10,490,987	(126,862,718)	(113,162,277)
- Prior year adjustments (Note 35)	-	-	(10,577,597)	(10,577,597)
<b>As restated</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(137,440,315)</b>	<b>(123,739,874)</b>
Loss for the year	-	-	-	-
- As previously reported	-	-	(91,161,957)	(91,161,957)
- Prior year adjustments (Note 35)	-	-	(4,799,658)	(4,799,658)
As restated	-	-	(95,961,615)	(95,961,615)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(95,961,615)	(95,961,615)
<b>At 31 March 2016</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(233,401,930)</b>	<b>(219,701,489)</b>
<b>Year ended 31 March 2015</b>				
At 1 April 2014				
- As previously stated	3,209,454	10,490,987	(36,461,171)	(22,760,730)
- Prior year adjustments (Note 35)	-	-	(7,655,113)	(7,655,113)
<b>As restated</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(44,116,284)</b>	<b>(30,415,843)</b>
Loss for the year	-	-	-	-
- As previously stated	-	-	(83,135,986)	(83,135,986)
- Prior year adjustments (Note 35)	-	-	(2,922,484)	(2,922,484)
As restated	-	-	(86,058,470)	(86,058,470)
Other comprehensive income	-	-	(7,265,561)	(7,265,561)
Total comprehensive loss	-	-	(93,324,031)	(93,324,031)
<b>At 31 March 2015</b>	<b>3,209,454</b>	<b>10,490,987</b>	<b>(137,440,315)</b>	<b>(123,739,874)</b>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**STATEMENTS OF CASH FLOWS**

	<u>Note</u>	<u>Group</u> <u>31-Mar-17</u> <u>TZS '000</u>	<u>Group</u> <u>31-Mar-16</u> <u>TZS '000</u> Restated	<u>Company</u> <u>31-Mar-17</u> <u>TZS '000</u>	<u>Company</u> <u>31-Mar-16</u> <u>TZS '000</u> Restated
<b>Operating activities</b>					
Loss before income tax		<b>(26,940,584)</b>	(96,183,522)	<b>(29,499,470)</b>	(95,689,360)
<i>Adjustments for:</i>					
Depreciation of property and equipment	13	<b>23,540,126</b>	15,142,684	<b>23,343,921</b>	14,940,461
Gain on disposal of property and equipment		<b>(16,901)</b>	(23,483)	<b>(16,901)</b>	(23,424)
Amortisation of intangible assets	14	<b>102,745</b>	53,822	<b>102,745</b>	53,822
Interest on borrowings	11	<b>15,514,528</b>	18,055,903	<b>15,514,528</b>	18,055,903
Exchange loss on borrowings	12	<b>5,162,469</b>	49,953,878	<b>5,162,469</b>	49,953,878
Other non cash expenses		<b>451,054</b>	-	-	80,419
Reversal of impairment loss		<b>(10,337,838)</b>	-	<b>(10,337,838)</b>	-
Reversal of fair value loss	34	<b>(9,738,525)</b>	-	<b>(9,738,525)</b>	-
<b>Net cash before working capital changes</b>		<b><u>(2,262,926)</u></b>	<b><u>(13,000,718)</u></b>	<b><u>(5,469,071)</u></b>	<b><u>(12,628,301)</u></b>
<i>Changes in working capital:</i>					
• Inventories		<b>(1,497,477)</b>	543,303	<b>(1,497,477)</b>	543,303
• trade and other receivables		<b>394,960</b>	925,148	<b>3,610,463</b>	(899,880)
• prepayments		<b>(98,183)</b>	482,083	<b>(98,183)</b>	482,083
• trade and other payables		<b>(641,722)</b>	16,169,171	<b>(650,933)</b>	17,610,636
• provisions		<b>7,736,372</b>	5,341,265	<b>7,736,372</b>	5,341,265
• sales in advance of carriage		<b>12,829,627</b>	2,634,315	<b>12,829,627</b>	2,634,315
Cash generated from operations		<b><u>16,460,651</u></b>	<b><u>13,094,567</u></b>	<b><u>16,460,798</u></b>	<b><u>13,083,421</u></b>
Income tax paid	21(a)	<b><u>(272,252)</u></b>	<b><u>(303,933)</u></b>	<b><u>(272,251)</u></b>	<b><u>(303,993)</u></b>
<b>Net cash from operating activities</b>		<b><u>16,188,399</u></b>	<b><u>12,790,634</u></b>	<b><u>16,188,547</u></b>	<b><u>12,779,428</u></b>
<b>Investing activities</b>					
Acquisition of computer software	14	<b>(360,986)</b>	(11,388)	<b>(360,986)</b>	(11,388)
Aircraft security deposit – paid	16	-	(1,037,542)	-	(1,037,542)
Aircraft security deposit – refunded	16	<b>2,413,023</b>	553,269	<b>2,413,023</b>	553,269
Proceeds from sale of property and equipment		<b>16,901</b>	39,061	<b>16,901</b>	39,001
Purchase of property and equipment	13	<b><u>(11,081,458)</u></b>	<b><u>(7,451,830)</u></b>	<b><u>(11,081,458)</u></b>	<b><u>(7,451,829)</u></b>
<b>Net cash used in investing activities</b>		<b><u>(9,012,520)</u></b>	<b><u>(7,908,430)</u></b>	<b><u>(9,012,520)</u></b>	<b><u>(7,908,489)</u></b>
<b>Financing activities</b>					
Repayment of borrowings					
-interest		<b>(2,333,120)</b>	(1,521,608)	<b>(2,333,120)</b>	(1,521,608)
-principal		<b>(5,020,307)</b>	(1,402,753)	<b>(5,020,307)</b>	(1,402,753)
-Principal and Interest reclassified to overdraft		-	(7,522,398)	-	(7,522,398)
<b>Net cash used in financing activities</b>		<b><u>(7,353,427)</u></b>	<b><u>(10,446,759)</u></b>	<b><u>(7,353,427)</u></b>	<b><u>(10,446,759)</u></b>
<b>Net decrease in cash and cash equivalents</b>		<b>(177,548)</b>	<b>(5,564,555)</b>	<b>(177,400)</b>	<b>(5,575,820)</b>
Net realised foreign exchange on cash and cash equivalent		<b>63,805</b>	-	<b>64,022</b>	-
Cash and cash equivalents at start of the year		<b><u>(11,086,257)</u></b>	<b><u>(5,521,702)</u></b>	<b><u>(11,139,521)</u></b>	<b><u>(5,563,701)</u></b>
<b>Cash and cash equivalents at year end</b>	20	<b><u><u>(11,200,000)</u></u></b>	<b><u><u>(11,086,257)</u></u></b>	<b><u><u>(11,252,899)</u></u></b>	<b><u><u>(11,139,521)</u></u></b>



# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES

#### 1 CORPORATE INFORMATION

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

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

#### Principal activities

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

#### 2 GOING CONCERN

The Group had its current liabilities exceed its current assets at 31 March 2017 by TZS 418 billion (31 March 2016: TZS 383 billion) and it was also in a shareholders' deficit position at 31 March 2017 of TZS 249 billion (31 March 2016: TZS 221 billion).

The Company had its current liabilities exceed its current assets at 31 March 2017 by TZS 418 billion (31 March 2016: TZS 380 billion) and it was also in a shareholders' deficit position at 31 March 2017 of TZS 250 billion (31 March 2016: TZS 220 billion).

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

The directors further take note of the fact that given the defaults and arrears on borrowings, the covenants applying to the loan agreements have not been honoured and therefore the lenders have the right to recall the said facilities, technically calling for the recognition of the full amounts as current liabilities. However, in view of the ongoing negotiations with the lenders to restructure the loan facility and the progress registered so far, management and the directors are of the strong view that such rights will not be exercised in the next twelve months and therefore continues to report the portions of the aircraft loans not yet due, as non-current.

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

- a. A thorough review of the budgetary and forecasting process to ensure that appropriate assumptions have been considered in developing the Group's forecast.
- b. Consideration of the timing and uncertainty of the cash flows to reflect the underlying maturity of the liabilities and assets.
- c. A review of the Group's loan agreements and borrowing covenants – renegotiation of the aircraft loan and restructure the entire balance sheet.
- d. Consideration of the Group's financial adaptability.
- e. Review of possible exposures to contingent liabilities.
- f. Review of the Group's risk mitigation practices and their adequacy for business related risks such as interest rates, currency exchange rate risk and credit risk.
- g. Continuous improvement and tightening of credit controls to minimize credit losses.
- h. Review of other considerations relevant to business continuity such as maintenance of key suppliers and customers; maintenance of stable labour work force and key staff.
- i. Review of the stability of the Group's cost structure.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 2. GOING CONCERN (CONTINUED)

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

- a. Conducted a thorough assessment and review of the market (both domestic and regional), competition and competition trends and strengths and the potential impact. Directors are convinced that both the domestic Tanzanian market and the regional market present vast business opportunities that it can tap into by improving its production capacity and product offering.
- b. Continued to review and monitor the action plans as outlined in the Revised 5 year strategic plan and the budget for the 12 months ending 31 March 2018.
  - o Improve production capacity by operating a minimum of 7 aircraft (to increase to 9 by October 2017) - ensuring reliability and superior product offering thereby getting an opportunity to attract more and higher yielding passengers.
  - o Network and fleet rationalization – focusing on low competition routes with high yield and grow frequencies/ start new operations where demand so dictates.
  - o Continue the focus on cost control and pursuit of productivity initiatives across all operating cost drivers, including leveraging on the new web based CRS tool and improved use of online platform; performance based incentive schemes and operational efficiencies through embracing the World Class Organizational concept (WCO).
  - o Focus on alternative revenue streams including charter operations, lease of aircraft where applicable, third party aircraft maintenance, and handling and cargo opportunities.
- c. Progressed negotiations with the lenders for the restructuring of the aircraft loan facility. A proposal for this has been shared with the lenders with key discussion points being; extensions of the tenure, a one year moratorium, review of the price of the loan and possible waivers with respect to interest and penalties. The directors are convinced these discussions will be positively concluded within the financial year and would result in a new look balance sheet with payment obligations in line with the cash generation ability of the business, thereby forestalling additional pile up of outstanding liabilities.
- d. Perfect working relationship with partners for guaranteed supply of key operational services such as fuel and technical spares for maintenance, including an arrangement with Maintenance Repair Overhaul (MRO) for recovery of engines, through which a total of 10 engines have already been recovered.
- e. Closure and settlement of some of the old debts through workable payment plans and negotiations in which some reductions have been achieved. A number of creditors have expressed willingness to grant substantial discounts in exchange for lump sum payments.

For the year ended 31 March 2019 the directors and management have continued to take the following measures to address and mitigate the above conditions:

- a) Conducted a thorough assessment and review of the market (both domestic and regional), competition and competition trends and strengths and the potential impact. Directors are convinced that both the domestic Tanzanian market and the regional market present vast business opportunities that it can tap into by improving its production capacity and product offering.
- b) Continues to review and monitor the action plans as outlined in the Revised 5 year strategic plan and the budget for the 12 months ending 31 March 2019.
  - o Improve production capacity by operating a minimum of 7 aircraft (to increase to 8 by July 2018) - ensuring reliability and superior product offering thereby getting an opportunity to attract more and higher yielding passengers.
  - o Network and fleet rationalization – focusing on low competition routes with high yield and grow frequencies/ start new operations where demand so dictates.
  - o Continue the focus on cost control and pursuit of productivity initiatives across all operating cost drivers, including leveraging on the new web based CRS tool and improved use of online platform; performance based incentive schemes and operational efficiencies through embracing the World Class Organizational concept (WCO).
  - o Focus on alternative revenue streams including charter operations, lease of aircraft where applicable, third party aircraft maintenance, and handling and cargo opportunities.
- c) Progressing negotiations with the lenders for the restructuring of the aircraft loan facility.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 2. GOING CONCERN (CONTINUED)

- d) A proposal for this has been shared with the lenders with key discussion points being; extensions of the tenure, a one year moratorium, review of the price of the loan and possible waivers with respect to interest and penalties. The directors are convinced these discussions will be positively concluded within the financial year and would result in a new look balance sheet with payment obligations in line with the cash generation ability of the business, thereby forestalling additional pile up of outstanding liabilities.
- f. Perfect working relationship with partners for guaranteed supply of key operational services such as fuel and technical spares for maintenance, including an arrangement with Maintenance Repair Overhaul (MRO) for recovery of engines, through which a total of 10 engines have already been recovered.
- g. Closure and settlement of some of the old debts through workable payment plans and negotiations in which some reductions have been achieved. A number of creditors have expressed willingness to grant substantial discounts in exchange for lump sum payments.

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

For the year ended 31 March 2018, the following were the key sources of the uncertainties mentioned above:

- a. Operation of 7 aircrafts for the period 1 November 2017 to 31 December 2017 and 8 aircrafts for the period 1 January to 31 March 2018. As at end of March 2018, the 7<sup>th</sup> aircraft was not in operation. The 8<sup>th</sup> aircraft was to be leased from a third party and the timing of deployment was uncertain despite the ongoing leasing discussions.
- b. Passenger numbers carried were budgeted at 572,369 for the year ended on 31 March 2018 compared to 408,807 for the year ended 31 March 2017. Actual passenger numbers carried for the year ended 31 March 2018 were 474,247.
- c. Budgeted average passenger fare of USD 94 for the year ended on 31 March 2018 compared to USD 94 for the year ended on 31 March 2017. Actual average passenger fare was USD 94 for the year ended 31 March 2018.
- d. Achievement of significant cost reductions including:
- Fuel costs – Budgeted at USD 452 per block hour for the year ended on 31 March 2018 compared to USD 474 for the year ended on 31 March 2017. Actual fuel cost was USD 503 for the year ended 31 March 2018.
  - Aircraft maintenance costs – Budgeted at USD 397 per block hour for the year ended on 31 March 2018 compared to USD 408 for the year ended on 31 March 2017. Actual aircraft maintenance cost was USD 401 for the year ended 31 March 2018.
  - Commission expenses – Budgeted at USD 3 per passenger for the year ended on 31 March 2018 compared to USD 3.2 for the year ended on 31 March 2017. Actual commission expense was USD 3.3 for the year ended 31 March 2018.
  - Distribution costs – Budgeted at USD 6 per passenger for the year ended on 31 March 2018 compared to USD 8 for the year ended on 31 March 2017. Actual distribution cost was USD 8 for the year ended 31 March 2018.
- e. Achievement of significant working capital improvements beyond current levels.
- f. Successful conclusion of negotiations of debt (including arrears) repayment plans with lenders and other creditors. The principal and interest payments included in the cash flow projections in respect of borrowings are based on the projected cash generating ability of the Group rather than the contractual terms.
- g. Waiver of penalties and interest by lenders and other creditors.
- h. Through monthly legal notices, the lenders have been demanding for Precision Air Services Plc to immediately settle all amounts in arrears as well as notifying them of their intention to exercise all their rights under the borrowing agreements including but not limited to the termination of the aircraft leases and seeking compensation for liquidated damages.
- i. Actual cash generated of USD 6.4 million at 31 March 2018 compared to projected cash generation of USD 10.9 million as at 31 March 2018.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 2. GOING CONCERN (CONTINUED)

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

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

- a) Operation of 7 aircrafts for the period 1 April 2018 to 31 July 2018 and 8 aircrafts for the period 1 August to 31 March 2019. As at end of May 2018, the 7<sup>th</sup> aircraft was not in operation. The 8<sup>th</sup> aircraft is to be leased from a third party and the timing of deployment may be impacted by the ongoing leasing discussions.
- b) Projected passenger numbers carried of 566,060 for the year ending on 31 March 2019 compared to actual of 474,247 for the year ended 31 March 2018.
- c) Budgeted average passenger fare of USD 97 for the year ending on 31 March 2019 compared to actual average passenger fare of USD 94 for the year ended on 31 March 2018.
- d) Achievement of significant cost reductions including:
  - Fuel costs – Budgeted at USD 410 per hour for the year ending on 31 March 2019 compared to an actual of USD 503 for the year ended on 31 March 2018.
  - Aircraft maintenance costs – Budgeted at USD 410 per block hour for the year ending on 31 March 2018 compared to an actual aircraft maintenance costs of USD 401 for the year ended on 31 March 2018.
  - Commission expenses – Budgeted at USD 3.1 per passenger for the year ending on 31 March 2019 compared to actual commission expenses of USD 3.3 for the year ended on 31 March 2018.
  - Distribution costs – Budgeted at USD 6.5 per passenger or the year ending on 31 March 2019 compared to actual distribution costs of USD 8 for the year ended on 31 March 2018.
- e) Achievement of significant working capital improvements beyond current levels.
- f) Successful conclusion of negotiations of debt (including arrears) repayment plans with lenders and other creditors. The principal and interest payments included in the cash flow projections in respect of borrowings are based on the projected cash generating ability of the Group rather than the contractual terms.
- g) Waiver of penalties and interest by lenders and other creditors.
- h) Through monthly legal notices, the lenders have been demanding for Precision Air Services Plc to immediately settle all amounts in arrears as well as notifying them of their intention to exercise all their rights under the borrowing agreements including but not limited to the termination of the aircraft leases and seeking compensation for liquidated damages.
- j. **Impact of foreign currency exchange rate movements on the 2018/19 financial performance, financial position and cash flow projections which are prepared in USD.**

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### (a) Basis of preparation

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

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

##### Changes in accounting policies and disclosures

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

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 April 2016:

Amendments to IAS 1, 'Presentation of Financial Statements': The amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments, effective 1 January 2016, provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

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

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

Annual Improvements to IFRSs 2012-2014 Cycle. The latest annual improvements, effective 1 January 2017, clarify:

- IFRS 5 – when an asset (or disposal group) is reclassified from ‘held for sale’ to ‘held for distribution’ or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such.
- IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute ‘continuing involvement’ and, therefore, whether the asset qualifies for de recognition.
- IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34.
- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise.
- IAS 34 – what is meant by the reference in the standard to ‘information disclosed elsewhere in the interim financial report’ and adds a requirement to cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

*Amendment to IAS 27;*The IASB has made amendments to IAS 27 Separate Financial Statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

*Amendments to IAS 16 and IAS 38;* The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

*Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures* clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity’s investment activities.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

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

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

- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

As these amendments merely clarify the existing requirements, they do not affect the company's accounting policies or any of the disclosures.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below.

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

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

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

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

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

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

##### IFRS 16, 'Leases' (continued)

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

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

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

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

##### (b) Consolidation – Subsidiaries

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

##### (c) Foreign currency translation

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

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

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

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

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

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



# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

##### (e) Revenue

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

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

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

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

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

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

##### (f) Inventories

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

##### (g) Property and equipment

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

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

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

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

	%
Aircraft*	6.75
Aircraft improvements	20.00– 25.00
Motor vehicles	20.00– 25.00
Computers	25.00– 33.33
Furniture, equipment and structures	25.00
Structures	4.00- 12.00

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

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

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

##### (h) Leases

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

##### (k) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

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

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

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

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

##### (p) Financial liabilities

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

##### (q) Borrowings

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

##### **(r) Derecognition of financial assets and liabilities**

###### *Financial assets*

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

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

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

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

###### *Financial liabilities*

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

##### **(s) 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.

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

##### (t) Taxation

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

##### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date. The current rate of corporation tax is 30% (2016: 30%).

##### Deferred tax

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

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

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

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

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

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

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

###### Value added tax

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

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

##### (u) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

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

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

##### (w) Segment reporting

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



# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT

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

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

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

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

##### a. Liquidity risk

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

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**a. Liquidity risk (continued)**

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

<b>Group</b>	<b>On demand TZS' 000</b>	<b>Less than 1 year TZS' 000</b>	<b>1 to 5 years TZS'000</b>	<b>After 5 years TZS' 000</b>	<b>Total TZS' 000</b>
<b>At 31 March 2017</b>					
Borrowings	315,750,972	-	-	-	315,750,972
Trade and other payables	-	35,080,100	-	-	35,080,100
	<b>315,750,972</b>	<b>35,080,100</b>	<b>-</b>	<b>-</b>	<b>350,831,072</b>
<b>At 31 March 2016</b>					
Borrowings	306,206,136	-	-	-	306,206,136
Trade and other payables	-	37,733,649	-	-	37,733,649
	<b>306,206,136</b>	<b>37,733,649</b>	<b>-</b>	<b>-</b>	<b>343,939,785</b>
<b>Company</b>					
<b>At 31 March 2017</b>					
Borrowings	315,750,972	-	-	-	315,750,972
Trade and other payables	-	35,080,100	-	-	35,080,100
	<b>315,750,972</b>	<b>35,080,100</b>	<b>-</b>	<b>-</b>	<b>350,831,072</b>
<b>At 31 March 2016</b>					
Borrowings	306,206,136	-	-	-	306,206,136
Trade and other payables	-	37,742,860	-	-	37,742,860
	<b>306,206,136</b>	<b>37,742,860</b>	<b>-</b>	<b>-</b>	<b>343,948,996</b>

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### b. Treasury risk management

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

##### c. Foreign currency risk

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

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

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

	Increase/decrease in the value	Effect on profit before tax TZS'000	Effect on profit after tax TZS'000
<b><u>Group and Company</u></b>			
Net effect based on statement of financial position as at 31 March 2017	3%	9,249,261	6,474,483
Net effect based on statement of financial position as at 31 March 2016	3%	10,717,067	7,501,947

##### d. Interest rate risk

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

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

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

	Increase/decrease in interest rate	Effect on profit before tax TZS' 000'	Effect on profit after tax TZS' 000
<b><u>Group and Company</u></b>			
Net effect based on statement of financial position as at 31 March 2017	1%	237,181	166,027
Net effect based on statement of financial position as at 31 March 2016	1%	232,455	162,718

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### e. Credit risk management

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

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

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

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

##### Maximum exposure

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

	Group		Company	
	2017	2016	2017	2016
	TZS'000	TZS'000	TZS'000	TZS'000
Cash and short-term deposits	736,278	4,715,374	683,379	4,662,110
Trade and other receivables	7,500,397	7,933,080	7,552,976	11,201,162
	<u>8,236,675</u>	<u>12,648,454</u>	<u>8,236,355</u>	<u>15,863,272</u>

##### f. Fuel price risk

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

#### 5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

##### i. Impairment of aircrafts

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

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

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

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

Included in property and equipment are two aircrafts (ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a carrying value of TZS 40.5 billion that are currently unutilized as a result of defective engines. Impairment assessment on these aircrafts has been conducted with reference to their market half life prices at 31 March 2017. On this basis, no impairment charge has been recorded other than TZS 6.5 billion impairment charge for the defective engines.

Included in property and equipment is a significantly damaged aircraft (ATR 42/72 - MSN 384 - 5H-PAG) with a carrying value of TZS 1.3 billion that is currently unutilized. Impairment assessment on this aircraft has been conducted with reference to an indicative offer for purchase of the aircraft by a third party in July 2017. On this basis, no impairment charge has been recorded.

##### *ii. Unused ticket revenue*

Unused tickets are recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical trends. Tickets that remain unused for a period exceeding 24 months are recognised in income. Due to pending backlog processing of sales tickets, management have not recognise income during the year in this regard, until all the backlog have been cleared.

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

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

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

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

##### *v. Income taxes*

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

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

<b>6 REVENUE</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b><u>31-Mar-17</u></b>	<b><u>31-Mar-16</u></b>	<b><u>31-Mar-17</u></b>	<b><u>31-Mar-16</u></b>
	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
Passenger revenue	<b>79,755,660</b>	68,952,163	<b>79,755,660</b>	68,952,163
Passenger interline revenue	<b>113,162</b>	286,227	<b>113,162</b>	286,227
Freight and mail	<b>915,871</b>	725,361	<b>915,871</b>	725,361
Fuel surcharge	<b>14,657,708</b>	20,787,521	<b>14,657,708</b>	20,787,521
Cancellation income	<b>300,277</b>	357,034	<b>300,277</b>	357,034
No show and other charges	<b>1,295,367</b>	2,312,680	<b>1,295,367</b>	2,312,680
	<b><u>97,038,045</u></b>	<b><u>93,420,986</u></b>	<b><u>97,038,045</u></b>	<b><u>93,420,986</u></b>
<b>7 COST OF SALES</b>				
Fuel and oil	<b>15,151,044</b>	13,442,953	<b>15,151,044</b>	13,442,953
Lease of aircraft and engines	<b>2,209,043</b>	1,873,974	<b>2,209,043</b>	1,873,974
Aircraft landing, handling and navigation	<b>8,460,507</b>	7,814,474	<b>8,460,507</b>	7,814,474
Aircraft maintenance	<b>16,183,353</b>	9,751,500	<b>16,183,353</b>	9,751,500
Depreciation of aircraft components	<b>4,281,987</b>	2,079,388	<b>4,281,987</b>	2,079,388
Passenger services	<b>2,370,548</b>	2,114,925	<b>2,370,548</b>	2,114,925
Commission on sales	<b>3,040,553</b>	3,268,150	<b>3,040,553</b>	3,268,150
Aircraft, passengers and cargo insurance	<b>64,987</b>	69,460	<b>64,987</b>	69,460
Depreciation of aircraft and engines	<b>18,094,150</b>	11,910,645	<b>18,094,150</b>	11,910,645
Crew route expenses	<b>558,957</b>	1,232,382	<b>558,957</b>	1,232,382
Centralised reservation systems	<b>8,152,892</b>	9,804,943	<b>8,152,892</b>	9,804,943
Aircraft cleaning and certification	<b>305,662</b>	264,013	<b>305,662</b>	264,013
	<b><u>78,873,683</u></b>	<b><u>63,626,807</u></b>	<b><u>78,873,683</u></b>	<b><u>63,626,807</u></b>
<b>8 OTHER INCOME</b>				
Gain on disposal of property and equipment	<b>8,433</b>	23,425	<b>8,433</b>	23,425
Third Party Maintenance	<b>488,586</b>	578,423	<b>488,586</b>	578,423
	<b><u>497,019</u></b>	<b><u>601,848</u></b>	<b><u>497,019</u></b>	<b><u>601,848</u></b>

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<b>9 MARKETING EXPENSES</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b><u>31-Mar-17</u></b>	<b><u>31-Mar-16</u></b>	<b><u>31-Mar-17</u></b>	<b><u>31-Mar-16</u></b>
	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
Advertising and publicity	1,688,542	1,100,925	1,688,542	1,100,925
Entertainment	2,754	884	2,754	884
	<b><u>1,691,296</u></b>	<b><u>1,101,809</u></b>	<b><u>1,691,296</u></b>	<b><u>1,101,809</u></b>
<b>10 ADMINISTRATIVE EXPENSES</b>				
Salaries and wages	18,458,347	18,452,396	18,458,347	18,452,396
Contribution to pension fund	1,414,254	1,598,905	1,414,254	1,598,905
Payroll levies	998,664	1,001,337	998,664	1,001,337
Other employment costs	2,760,152	3,110,064	2,760,152	3,110,064
Bank charges	205,509	129,443	205,144	129,311
Motor vehicle expenses	1,532,610	1,767,753	1,532,610	1,767,753
Legal and professional fees	503,939	2,517,658	503,939	2,517,658
Rent, maintenance and supplies	3,060,482	2,615,861	3,060,482	2,617,861
General specified expenses	9,561,559	7,288,056	9,561,662	7,305,974
Amortization of intangible assets	102,745	53,822	102,745	53,822
Board meeting expenses	56,683	72,713	56,683	72,713
Depreciation-motor vehicles, structure, computers, furniture and equipment	1,163,989	1,152,655	967,684	950,430
	<b><u>39,818,933</u></b>	<b><u>39,760,663</u></b>	<b><u>39,622,366</u></b>	<b><u>39,578,224</u></b>
<b>11 FINANCE COSTS</b>				
Interest on debts and borrowings	15,514,528	18,055,903	15,514,528	18,055,903
	<b><u>15,514,528</u></b>	<b><u>18,055,903</u></b>	<b><u>15,514,528</u></b>	<b><u>18,055,903</u></b>
<b>12 FOREIGN CURRENCY LOSS/(GAIN)</b>				
Loss on borrowings	5,162,469	49,953,878	5,162,469	49,953,878
Loss/(gain) on cash and bank	55,512	-	55,512	-
Loss on other items	3,236,917	788,154	3,236,917	476,431
	<b><u>8,454,898</u></b>	<b><u>50,742,032</u></b>	<b><u>8,454,898</u></b>	<b><u>50,430,309</u></b>

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

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**13 PROPERTY AND EQUIPMENT – GROUP**

	Aircraft and aircraft components	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>						
At 1 April 2016	221,311,205	1,348,988	2,459,058	14,199,545	133,815	239,452,611
Transfer from non current assets held for sale (Note 34)	92,688,805	-	-	-	-	92,688,805
Additions	8,048,234	188,741	133,605	2,710,878	-	11,081,458
Disposals	-	(17,000)	-	-	-	(17,000)
Transfer to intangible assets (Note 14)	-	-	-	-	(133,815)	(133,815)
Other adjustments	-	-	-	(366,601)	-	(366,601)
<b>At 31 March 2017</b>	<b>322,048,244</b>	<b>1,520,729</b>	<b>2,592,663</b>	<b>16,543,822</b>	<b>-</b>	<b>342,705,458</b>

**Depreciation and impairment:**

At 1 April 2016

- As previously stated
- Prior year adjustment (Note 35)

As restated

Transfer from non current assets held for sale (Note 34)

Charge for the year

Reversal of impairment\*

Disposals

**At 31 March 2017**

	124,429,755	1,195,874	2,028,150	2,867,877	-	130,521,656
	(6,183,508)	-	-	-	-	(6,183,508)
As restated	118,246,247	1,195,874	2,028,150	2,867,877	-	124,338,148
Transfer from non current assets held for sale (Note 34)	36,461,599	-	-	-	-	36,461,599
Charge for the year	22,376,137	156,021	84,136	923,832	-	23,540,126
Reversal of impairment*	(10,337,838)	-	-	-	-	(10,337,838)
Disposals	-	(17,000)	-	-	-	(17,000)
<b>At 31 March 2017</b>	<b>166,746,145</b>	<b>1,334,895</b>	<b>2,112,286</b>	<b>3,791,709</b>	<b>-</b>	<b>173,985,035</b>

**Net book value**

At 31 March 2017

At 31 March 2016

	<b>155,302,099</b>	<b>185,834</b>	<b>480,377</b>	<b>12,752,113</b>	<b>-</b>	<b>168,720,423</b>
At 31 March 2016	103,064,958	153,114	430,908	11,331,668	133,815	115,114,463

- Refer to Note 23 for assets pledged as security.

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

Included in property and equipment are two aircrafts (ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a carrying value of TZS 40.5 billion that are currently unutilized as a result of defective engines and a significantly damaged aircraft (ATR 42/72 - MSN 384 - 5H-PAG) with a carrying value of TZS 1.3 billion that is currently unutilized.



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NOTES (CONTINUED)

13 PROPERTY AND EQUIPMENT (CONTINUED) – GROUP

	Aircraft and aircraft components	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>						
At 1 April 2015	214,119,008	1,380,921	2,388,343	13,902,206	296,118	232,086,596
Additions	7,192,197	24,563	70,715	12,540	151,815	7,451,830
Disposals	-	(56,496)	-	(29,319)	-	(85,815)
Transfer from work in progress	-	-	-	314,118	(314,118)	-
<b>At 31 March 2016</b>	<b>221,311,205</b>	<b>1,348,988</b>	<b>2,459,058</b>	<b>14,199,545</b>	<b>133,815</b>	<b>239,452,611</b>
<b>Depreciation and impairment:</b>						
At 1 April 2015	104,256,218	1,086,861	1,933,105	1,989,517	-	109,265,701
Charge for the year						
- As previously stated	20,173,537	165,509	95,045	892,101	-	21,326,192
- Prior year adjustment (Note 35)	(6,183,508)	-	-	-	-	(6,183,508)
As restated	13,990,029	165,509	95,045	892,101	-	15,142,684
Disposals	-	(56,496)	-	(13,741)	-	(70,237)
<b>At 31 March 2016</b>	<b>118,246,247</b>	<b>1,195,874</b>	<b>2,028,150</b>	<b>2,867,877</b>	<b>-</b>	<b>124,338,148</b>
<b>Net book value</b>						
<b>At 31 March 2016</b>	<b>103,064,958</b>	<b>153,114</b>	<b>430,908</b>	<b>11,331,668</b>	<b>133,815</b>	<b>115,114,463</b>
At 31 March 2015	109,862,792	294,060	455,238	11,912,689	296,118	122,820,895

Refer to Note 23 for assets pledged as security.

**PRECISION AIR SERVICES PLC**

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**NOTES (CONTINUED)**

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

	Aircraft and aircraft components	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>						
At 1 April 2016	221,311,205	1,321,193	1,368,343	11,998,851	133,815	236,133,407
Transfer from non current assets held for sale (Note 34)	92,688,805	-	-	-	-	92,688,805
Additions	8,048,234	188,741	133,605	2,710,878	-	11,081,458
Disposals	-	(17,000)	-	-	-	(17,000)
Transfer to intangible assets (Note 14)	-	-	-	-	(133,815)	(133,815)
<b>At 31 March 2017</b>	<b>322,048,244</b>	<b>1,492,934</b>	<b>1,501,948</b>	<b>14,709,729</b>	<b>-</b>	<b>339,752,855</b>

**Depreciation and impairment:**

At 1 April 2016						
- As previously stated	124,429,755	1,168,953	1,270,768	1,608,338	-	128,477,814
- Prior year adjustment (Note 35)	(6,183,508)	-	-	-	-	(6,183,508)
As restated	118,246,247	1,168,953	1,270,768	1,608,338	-	122,294,306
Transfer from non current assets held for sale (Note 34)	36,461,599	-	-	-	-	36,461,599
Charge for the year	22,376,137	156,021	84,136	727,627	-	23,343,921
Reversal of impairment*	(10,337,838)	-	-	-	-	(10,337,838)
Disposals	-	(17,000)	-	-	-	(17,000)
<b>At 31 March 2017</b>	<b>166,746,145</b>	<b>1,307,974</b>	<b>1,354,904</b>	<b>2,335,965</b>	<b>-</b>	<b>171,744,988</b>

**Net book value**

At 31 March 2017	<b>155,302,099</b>	<b>184,960</b>	<b>147,044</b>	<b>12,373,764</b>	<b>-</b>	<b>168,007,867</b>
At 31 March 2016	103,064,958	152,240	97,575	10,390,513	133,815	113,839,101

- Refer to Note 23 for assets pledged as security.

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

Included in property and equipment are two aircrafts (ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a carrying value of TZS 40.5 billion that are currently unutilized as a result of Beyond Economic Repair (BER) engines not yet replaced and a significantly damaged aircraft (ATR 42/72 - MSN 384 - 5H-PAG) with a carrying value of TZS 1.3 billion that is currently unutilized.

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NOTES (CONTINUED)

13 PROPERTY AND EQUIPMENT(CONTINUED) – COMPANY

	Aircraft and aircraft components	Motor vehicles	Computers	Furniture, equipment & structures	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>						
At 1 April 2015	214,119,008	1,353,126	1,297,628	11,701,513	296,118	228,767,393
Additions	7,192,197	24,563	70,715	12,539	151,815	7,451,829
Disposals	-	(56,496)	-	(29,319)	-	(85,815)
Transfer from work in progress	-	-	-	314,118	(314,118)	-
<b>At 31 March 2016</b>	<b>221,311,205</b>	<b>1,321,193</b>	<b>1,368,343</b>	<b>11,998,851</b>	<b>133,815</b>	<b>236,133,407</b>
<b>Depreciation and impairment:</b>						
At 1 April 2015	104,256,216	1,065,961	1,181,961	919,945	-	107,424,083
Charge for the year						
- As previously stated	20,173,539	159,487	88,807	702,136	-	21,123,969
- Prior year adjustment (Note 35)	(6,183,508)	-	-	-	-	(6,183,508)
As restated	13,990,031	159,487	88,807	702,136	-	14,940,461
Disposals	-	(56,495)	-	(13,743)	-	(70,238)
<b>At 31 March 2016</b>	<b>118,246,247</b>	<b>1,168,953</b>	<b>1,270,768</b>	<b>1,608,338</b>	<b>-</b>	<b>122,294,306</b>
<b>Net book value</b>						
<b>At 31 March 2016</b>	<b>103,064,958</b>	<b>152,240</b>	<b>97,575</b>	<b>10,390,513</b>	<b>133,815</b>	<b>113,839,101</b>
At 31 March 2015	109,862,792	287,165	115,667	10,781,568	296,118	121,343,310

Refer to Note 23 for assets pledged as security.

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**NOTES (CONTINUED)**

<b>14 INTANGIBLE ASSETS</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b><u>31-Mar-17</u></b>	<b><u>31-Mar-16</u></b>	<b><u>31-Mar-17</u></b>	<b><u>31-Mar-16</u></b>
	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
<b>Computer software</b>				
<b><u>Cost</u></b>				
At start of the year	<b>1,226,378</b>	1,214,990	<b>972,220</b>	960,832
Transfer from property and equipment	<b>133,815</b>	-	<b>133,815</b>	-
Additions	<b>360,986</b>	11,388	<b>360,986</b>	11,388
Disposal	-	-	-	-
<b>At end of the year</b>	<b><u>1,721,179</u></b>	<b><u>1,226,378</u></b>	<b><u>1,467,021</u></b>	<b><u>972,220</u></b>
<b><u>Accumulated amortisation</u></b>				
At start of the year	<b>935,796</b>	881,974	<b>910,380</b>	856,558
Charge for the year	<b>102,745</b>	53,822	<b>102,745</b>	53,822
Prior year balances	-	-	<b>(22,597)</b>	-
<b>At end of the year</b>	<b><u>1,038,541</u></b>	<b><u>935,796</u></b>	<b><u>990,528</u></b>	<b><u>910,380</u></b>
<b>Carrying amount</b>	<b><u>682,638</u></b>	<b><u>290,582</u></b>	<b><u>476,493</u></b>	<b><u>61,840</u></b>

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**NOTES (CONTINUED)**

**15 INVESTMENT IN SUBSIDIARIES**

	<b>Company <u>31-Mar-17</u> TZS '000</b>	<b>Company <u>31-Mar-16</u> TZS '000</b>
Precise Systems Limited		
<b><u>Equity</u></b>		
At start of the year	-	80,419
Impairment	<u>-</u>	<u>(80,419)</u>
<b>At end of the year</b>	<b><u>-</u></b>	<b><u>-</u></b>

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

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

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

	<b><u>Total assets</u> TZS '000</b>	<b><u>Total liabilities</u> TZS '000</b>	<b><u>Revenue</u> TZS '000</b>	<b><u>Loss</u> TZS '000</b>
<b><u>Year ended 31 March 2017</u></b>				
Precision Handling Limited	<u>767,843</u>	<u>2,808,032</u>	<u>-</u>	<u>(196,567)</u>
Precise Systems Limited	<u>1,201,838</u>	<u>148,534</u>	<u>-</u>	<u>-</u>
<b><u>Year ended 31 March 2016</u></b>				
Precision Handling Limited	<u>964,411</u>	<u>2,808,032</u>	<u>-</u>	<u>(202,225)</u>
Precise Systems Limited	<u>1,201,838</u>	<u>148,534</u>	<u>-</u>	<u>-</u>

The subsidiaries, whose financial performances and financial positions are not material, are not consolidated as at 31 March 2017.

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**NOTES (CONTINUED)**

16	OTHER FINANCIAL ASSETS	Group	Group	Company	Company
		<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
		TZS '000	TZS '000	TZS '000	TZS '000
	SITA Global Investment	7,966	7,808	7,966	7,808
	IATA security deposit	2,136	2,440,158	2,136	2,440,158
	Credit card security deposit	1,019,860	1,006,190	1,019,860	1,006,190
	Aircraft security deposit	661,797	650,626	661,797	650,626
		<u>1,691,759</u>	<u>4,104,782</u>	<u>1,691,759</u>	<u>4,104,782</u>
	Current portion	1,683,793	4,096,974	1,683,793	4,096,974
	Non-current portion	7,966	7,808	7,966	7,808
		<u>1,691,759</u>	<u>4,104,782</u>	<u>1,691,759</u>	<u>4,104,782</u>

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

The movement in deposit is as follows:

	Group	Group	Company	Company
	<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
	TZS '000	TZS '000	TZS '000	TZS '000
At start of the year	4,104,782	3,620,509	4,104,782	3,620,509
Additions	-	1,037,542	-	1,037,542
Deposits refunded	<u>(2,413,023)</u>	<u>(553,269)</u>	<u>(2,413,023)</u>	<u>(553,269)</u>
At the end of the year	<u>1,691,759</u>	<u>4,104,782</u>	<u>1,691,759</u>	<u>4,104,782</u>

17	INVENTORIES	Group	Group	Company	Company
		<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
		TZS '000	TZS '000	TZS '000	TZS '000
	Aircraft spare parts	9,528,441	8,095,132	9,528,441	8,095,132
	Fuel and stationeries	524,552	460,384	524,552	460,384
	Stock provisions	<u>(223,851)</u>	<u>(223,851)</u>	<u>(223,851)</u>	<u>(223,851)</u>
		<u>9,829,142</u>	<u>8,331,665</u>	<u>9,829,142</u>	<u>8,331,665</u>

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

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**NOTES (CONTINUED)**

18 TRADE AND OTHER RECEIVABLES	Group <u>31-Mar-17</u> TZS '000	Group <u>31-Mar-16</u> TZS '000	Company <u>31-Mar-17</u> TZS '000	Company <u>31-Mar-16</u> TZS '000
Trade receivables - third party	57,714,199	58,130,015	57,714,199	58,590,065
Less allowance credit Losses	<b>(51,462,547)</b>	(51,263,874)	<b>(51,462,547)</b>	(51,263,874)
Net receivables – third party	<u>6,251,652</u>	6,866,141	<u>6,251,652</u>	7,326,191
Trade receivables – related party [Note 25 (e)]	-	-	2,808,032	2,808,032
Less allowances for credit losses	-	-	<b>(2,755,453)</b>	-
Net receivable – related party	-	-	<u>52,579</u>	-
Other receivables	951,867	770,061	951,867	770,061
Advances to suppliers	45,683	7,960	45,683	7,960
Staff loans, advances and imprest	<u>296,878</u>	296,878	<u>296,878</u>	296,878
Net trade and other receivables	<u>7,546,080</u>	7,941,040	<u>7,598,659</u>	11,209,122
<u>Movement in allowance account</u>				
At start of year	51,263,874	34,344,732	51,263,874	34,344,732
Addition/(Release)	<u>198,673</u>	16,919,142	<u>2,954,126</u>	16,919,142
At end of the year	<u>51,462,547</u>	<u>51,263,874</u>	<u>54,218,000</u>	<u>51,263,874</u>
<u>Trade receivables age analysis</u>				
Neither past due nor impaired	3,618,241	6,036,979	3,618,241	6,036,979
Past due but not impaired	2,633,411	829,162	2,633,411	1,289,212
Overdue and fully impaired	<u>51,462,547</u>	51,263,874	<u>51,462,547</u>	51,263,874
	<u>57,714,199</u>	<u>58,130,015</u>	<u>57,714,199</u>	<u>58,590,065</u>

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

	Group <u>31-Mar-17</u> TZS '000	Group <u>31-Mar-16</u> TZS '000	Company <u>31-Mar-17</u> TZS '000	Company <u>31-Mar-16</u> TZS '000
United States Dollars	2,589,500	3,317,188	2,589,500	3,317,188
Euro	364,800	685,063	364,800	685,063
Sterling Pound	56,104	209,702	56,104	209,702
Canadian Dollars	141,914	61,915	141,914	61,915
South African Rand	54,969	167,392	54,969	167,392
Kenya Shillings	<u>57,913</u>	94,935	<u>57,913</u>	94,935
	<u>3,209,096</u>	<u>4,536,195</u>	<u>3,265,200</u>	<u>4,536,195</u>

**PRECISION AIR SERVICES PLC**

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

19 PREPAYMENTS	Group	Group	Company	Company
	<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Prepaid insurance	11,031	33,188	11,031	33,188
Prepaid marketing expenses	115,977	(4,363)	115,977	(4,363)
	<u>127,008</u>	<u>28,825</u>	<u>127,008</u>	<u>28,825</u>

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

**20 CASH AND CASH EQUIVALENTS**

	Group	Group	Company	Company
	<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Cash and short-term deposits	736,278	4,715,374	683,379	4,662,110
Bank overdraft (Note 23)	(11,936,278)	(15,801,631)	(11,936,278)	(15,801,631)
	<u>(11,200,000)</u>	<u>(11,086,257)</u>	<u>(11,252,899)</u>	<u>(11,139,521)</u>

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

		Group	Group	Company	Company
		<u>31-Mar-17</u>	<u>31-Mar-15</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
		TZS '000	TZS '000	TZS '000	TZS '000
United States Dollars	USD	433,219	981,194	433,219	981,194
Euro	EUR	87,861	13,774	87,861	13,774
South African Rand	ZAR	-	1,237,572	-	1,237,572
Kenya Shillings	KES	1,462	949,861	1,462	949,861
		<u>522,542</u>	<u>3,182,401</u>	<u>522,542</u>	<u>3,182,401</u>



**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

21 INCOME TAX	<b>Group</b> <b>31-Mar-17</b> <b>TZS '000</b>	<b>Group</b> <b>31-Mar-16</b> <b>TZS '000</b>	<b>Company</b> <b>31-Mar-17</b> <b>TZS '000</b>	<b>Company</b> <b>31-Mar-16</b> <b>TZS '000</b>
<b>(a) Tax payable</b>				
At beginning of the year	<b>1,550,208</b>	1,581,886	<b>1,611,846</b>	1,643,584
Payments during the year	<b>(272,252)</b>	(303,933)	<b>(272,251)</b>	(303,993)
Alternative minimum tax prior years	<b>61,639</b>	-	-	-
Alternate minimum tax charge	<b>301,581</b>	272,255	<b>301,581</b>	272,255
At end of the year	<b>1,641,176</b>	1,550,208	<b>1,641,176</b>	1,611,846
<b>(b) Tax charge</b>				
Current year tax	-	-	-	-
Alternate minimum tax- current year	<b>301,581</b>	272,255	<b>301,581</b>	272,255
Deferred tax charge	-	19,918	-	-
	<b>301,581</b>	292,173	<b>301,581</b>	272,255

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

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

	<b>Group</b> <b>31-Mar-17</b> <b>TZS '000</b>	<b>Group</b> <b>31-Mar-16</b> <b>TZS '000</b>	<b>Company</b> <b>31-Mar-17</b> <b>TZS '000</b>	<b>Company</b> <b>31-Mar-16</b> <b>TZS '000</b>
<b>Loss before income tax</b>	<b>(26,940,584)</b>	(96,183,522)	<b>(29,499,470)</b>	(95,689,360)
Tax at applicable rate of 30%	<b>(8,082,175)</b>	(28,855,057)	<b>(8,849,841)</b>	(28,706,808)
<i>Tax effect of:</i>				
- <i>non-deductible expenditure</i>	<b>2,101,315</b>	2,800,257	<b>2,042,345</b>	2,652,008
Deferred tax movement not recognized	<b>5,980,860</b>	26,074,718	<b>6,807,496</b>	26,054,800
Alternative minimum tax	<b>301,581</b>	272,255	<b>301,581</b>	272,255
Total tax expense/(credit)	<b>301,581</b>	292,173	<b>301,581</b>	272,255

**PRECISION AIR SERVICES PLC**

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

**21 INCOME TAX (CONTINUED)**

**(d) Deferred income tax**

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

<b>Group</b>	<u>At 1 Apr 16</u> TZS '000	<u>Charge/ (credit) to</u> <u>P&amp;L</u> TZS '000	<u>At 31 Mar 17</u> TZS '000
Accelerated capital deductions	32,527,906	3,040,190	35,568,096
Unrealised foreign exchange losses and provisions	(24,303,966)	567,745	(23,736,221)
Tax losses	(48,274,931)	(9,588,795)	(57,863,726)
Net deferred tax (asset)/ liability	(40,050,991)	(5,980,860)	(46,031,851)
Deferred tax not recognised	40,050,991	5,980,860	46,031,851
Net deferred tax (asset)/liability recognised	-	-	-

**PRECISION AIR SERVICES PLC**

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

**21 INCOME TAX (CONTINUED)**

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

<b>Group</b>	<u>At 1 Apr 15</u> TZS '000	<u>Charge/ (credit) to</u> <u>P&amp;L</u> TZS '000	<u>At 31 Mar 16</u> TZS '000
Accelerated capital deductions	32,642,779	(114,873)	32,527,906
Unrealised foreign exchange losses and provisions	(5,326,997)	(18,976,969)	(24,303,966)
Tax losses	(41,311,973)	(6,962,958)	(48,274,931)
Net deferred tax (asset)/ liability	(13,996,191)	(26,054,800)	(40,050,991)
Deferred tax not recognised	13,976,271	26,074,720	40,050,991
Net deferred tax (asset)/liability recognised	<u>(19,920)</u>	<u>19,920</u>	<u>-</u>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**21 INCOME TAX (CONTINUED)**

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

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

<b>Company</b>	<b>At 1 Apr 16</b>	<b>Charge/ (credit) to</b>	<b>At 31 Mar 17</b>
	<b>TZS '000</b>	<b>P&amp;L</b>	<b>TZS '000</b>
	<b>_____</b>	<b>_____</b>	<b>_____</b>
Accelerated capital deductions	<b>32,527,906</b>	<b>3,040,190</b>	<b>35,568,096</b>
Unrealised foreign exchange losses and provisions	<b>(24,303,966)</b>	<b>(258,891)</b>	<b>(24,562,857)</b>
Tax losses	<b>(48,274,931)</b>	<b>(9,588,795)</b>	<b>(57,863,726)</b>
Net deferred tax (asset)/ liability	<b>(40,050,991)</b>	<b>(6,807,496)</b>	<b>(46,858,487)</b>
Deferred tax not recognised	<b>40,050,991</b>	<b>6,807,496</b>	<b>46,858,487</b>
Net deferred tax (asset)/liability recognised	<b>_____</b>	<b>_____</b>	<b>_____</b>
	<b>-</b>	<b>-</b>	<b>-</b>

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**21 INCOME TAX (CONTINUED)**

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

<b>Company</b>	<b>At 1 Apr 15</b>	<b>Charge/ (credit) to</b>	<b>At 31 Mar 16</b>
	<b>TZS '000</b>	<b>P&amp;L</b>	<b>TZS '000</b>
	<b>_____</b>	<b>_____</b>	<b>_____</b>
Accelerated capital deductions	<b>32,642,779</b>	<b>(114,873)</b>	<b>32,527,906</b>
Unrealised foreign exchange losses and provisions	<b>(5,346,917)</b>	<b>(18,957,049)</b>	<b>(24,303,966)</b>
Tax losses	<b>(41,311,973)</b>	<b>(6,962,958)</b>	<b>(48,274,931)</b>
Net deferred tax (asset)/ liability	<b>(14,016,111)</b>	<b>(26,034,880)</b>	<b>(40,050,991)</b>
Deferred tax not recognised	<b>14,016,111</b>	<b>26,034,880</b>	<b>40,050,991</b>
Net deferred tax (asset)/liability recognised	<b>_____</b>	<b>_____</b>	<b>-</b>

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 21 INCOME TAX (CONTINUED)

##### (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 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 received a letter for assessment notification for impending audit of financial year 2014/15 and 2015/16 from TRA and it is expected to start from October 15<sup>th</sup> 2017.

The Company has duly submitted its final tax returns for all previous years including 2015/16, with the final assessments for years prior to 2008 settled with the TRA.

22 EQUITY	Group	Group	Company	Company
	<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
	TZS '000	TZS '000	TZS '000	TZS '000
<b>(a) Share capital</b>				
<b>Authorised:</b>				
242,000,000 Ordinary Shares of TZS 20/= each	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>
<b>Issued and fully paid up:</b>				
160,472,720 Ordinary Shares of TZS 20/= each	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>
<b>(b) Share premium</b>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

23	<b>BORROWINGS - GROUP AND COMPANY</b>			<u>Group</u> <u>31-Mar-17</u>	<u>Group</u> <u>31-Mar-16</u>	<u>Company</u> <u>31-Mar-17</u>	<u>Company</u> <u>31-Mar-16</u>
	Average Interest rate	Maturity	TZS '000	TZS '000	TZS '000	TZS '000	
<b><u>Secured bank term loans</u></b>							
Stanbic Bank Tanzania Ltd – US\$	8.88%	30.10.2013	-	28,156	-	28,156	
Citibank International Plc and Finfund Industrial Co-operation – US\$	4.28%	2008–2022	<b>233,534,923</b>	222,834,569	<b>233,534,923</b>	222,834,569	
Export Development Canada(EDC)–US\$	4.64%	2013–2022	<b>69,553,427</b>	65,683,339	<b>69,553,427</b>	65,683,339	
KCB (T) Limited – US\$ (Hangar Loan)	9.00%	30.12.2017	<b>726,344</b>	1,545,802	<b>726,344</b>	1,545,802	
			<b>303,814,694</b>	290,091,866	<b>303,814,694</b>	290,091,866	
<b><u>Unsecured term loan</u></b>							
Hassan & Sons – US\$	38.00%	31.01.2016	-	312,639	-	312,639	
			<b>303,814,694</b>	290,404,505	<b>303,814,694</b>	290,404,505	
<b><u>Secured bank overdrafts</u></b>							
Kenya Commercial Bank – US\$	9.00%	on demand	<b>2,256,620</b>	2,338,753	<b>2,256,620</b>	2,338,753	
Kenya Commercial Bank – TZS	16.00%	on demand	<b>1,569,435</b>	1,329,606	<b>1,569,435</b>	1,329,606	
Stanbic Bank Tanzania Limited – TZS	9.50%	on demand	<b>8,110,223</b>	12,133,272	<b>8,110,223</b>	12,133,272	
			<b>11,936,278</b>	15,801,631	<b>11,936,278</b>	15,801,631	
<b>Grand total</b>			<b>315,750,972</b>	306,206,136	<b>315,750,972</b>	306,206,136	
Non-current			-	-	-	-	
Current			<b>315,750,972</b>	306,206,136	<b>315,750,972</b>	306,206,136	
			<b>315,750,972</b>	306,206,136	<b>315,750,972</b>	306,206,136	

## PRECISION AIR SERVICES PLC

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

#### NOTES (CONTINUED)

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

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

- The loan was granted for the purpose of construction of hanger complex at Mwalimu Julius Nyerere International Airport payable by 2017.
- The facility is secured by the hanger complex.

**KCB (T) Limited: Overdraft -US\$ 1,000,000 and TZS 1,600,000,000**

The overdrafts are secured by Chattels Mortgage over:

- Debenture over floating assets
- Assignment over monthly IATA Billing and Settlement Plan (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.

The loan was converted into and Overdaft during financial year 2015/16

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

The purpose of the loan was to finance the acquisition of 5 ATR 72-500 and 2 ATR42-500.

**Export Development Canada(EDC) US\$ 26,000,000**

- The purpose of the loan was to finance the acquisition of 2 ATR 72-600.

**Hassan & Sons loan**

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



# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

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

##### Current and non current classification

The company is in breach of the terms of the borrowing agreements (including instalment payments). All the outstanding facilities as at the reporting date have been classified as current.

##### Collateral arrangements

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

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

**PRECISION AIR SERVICES PLC**

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

24 TRADE AND OTHER PAYABLES	Group		Company	
	<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Trade payables - third parties	19,855,048	19,740,397	19,855,048	19,740,397
Trade payables - related parties [Note 25]	11,016,413	12,247,736	11,016,413	12,247,736
Advances from customers	8,746,907	7,778,707	8,746,907	7,778,707
Lease accruals	2,458,794	3,942,792	2,458,794	3,942,792
Statutory liabilities	31,228,702	30,185,075	31,228,702	30,185,075
Other accruals	1,749,845	1,802,724	1,749,845	1,811,935
	<u>75,055,709</u>	<u>75,697,431</u>	<u>75,055,709</u>	<u>75,706,642</u>

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

		Group		Company	
		<u>31-Mar-17</u>	<u>31-Mar-16</u>	<u>31-Mar-17</u>	<u>31-Mar-16</u>
		TZS '000	TZS '000	TZS '000	TZS '000
United States Dollars	USD	29,978,185	25,954,847	29,978,185	25,954,847
Euro	EURO	764,392	226,862	764,392	226,862
Great Britain Pound	GBP	157,076	178,476	157,076	178,476
South African Rand	ZAR	57,524	132,405	57,524	132,405
Kenya Shillings	KES	137,131	108,153	137,131	108,153
		<u>31,094,308</u>	<u>26,600,743</u>	<u>31,094,308</u>	<u>26,600,743</u>

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**25 RELATED PARTY DISCLOSURES**

a)	<b>Group 31-Mar-17 TZS '000</b>	<b>Group 31-Mar-16 TZS '000</b>	<b>Company 31-Mar-17 TZS '000</b>	<b>Company 31-Mar-16 TZS '000</b>
<b>Key management</b>				
Salaries and other short term benefits	2,151,704	2,162,076	2,151,704	2,162,076
Pension	168,414	168,993	168,414	168,993
	<u>2,320,118</u>	<u>2,331,069</u>	<u>2,320,118</u>	<u>2,331,069</u>
<b>b) Directors' remuneration</b>				
Salaries and other short term benefits	891,262	1,054,738	891,262	1,054,738
Pension	51,753	50,730	51,753	50,730
	<u>943,015</u>	<u>1,105,468</u>	<u>943,015</u>	<u>1,105,468</u>
<b>c) Purchase transactions</b>				
Kenya Airways Limited	9,566,563	9,365,964	9,566,563	9,365,964
Ngaleku Children's Home Contribution	4,442	-	4,442	-
	<u>9,571,005</u>	<u>9,365,964</u>	<u>9,571,005</u>	<u>9,365,964</u>
<b>d) Sales transactions</b>				
Kenya Airways Limited	11,044,850	3,071,527	11,044,850	3,071,527
	<u>11,044,850</u>	<u>3,071,527</u>	<u>11,044,850</u>	<u>3,071,527</u>

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

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

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

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**25 RELATED PARTY DISCLOSURES (CONTINUED)**

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

	<b>Group 31-Mar-17 TZS '000</b>	<b>Group 31-Mar-16 TZS '000</b>	<b>Company 31-Mar-17 TZS '000</b>	<b>Company 31-Mar-16 TZS '000</b>
<b>e) Amounts due from related parties</b>				
Precision Handling Limited	-	-	<b>2,808,032</b>	2,808,032
	<u>-</u>	<u>-</u>	<u><b>2,808,032</b></u>	<u>2,808,032</u>
<b>f) Amounts due to related parties</b>				
Ngaleku Children's Home Contribution	<b>7,023</b>	6,566	<b>7,023</b>	6,566
Kenya Airways Limited	<b>10,994,765</b>	12,241,170	<b>10,994,765</b>	12,241,170
	<u><b>11,001,788</b></u>	<u>12,247,736</u>	<u><b>11,001,788</b></u>	<u>12,247,736</u>

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 2017 the Company has recorded an impairment on receivables owed by Precision Ground Handling Limited (March 2016: Nil) as disclosed on Note 18.

	<b>Group 31-Mar-17 TZS '000</b>	<b>Group 31-Mar-16 TZS '000</b>	<b>Company 31-Mar-17 TZS '000</b>	<b>Company 31-Mar-16 TZS '000</b>
<b>26 LEASE COMMITMENTS</b>				
<b>Office lease rentals</b>				
Within one year	<b>452,583</b>	816,512	<b>452,583</b>	816,512
One to five years	-	-	-	-
More than five years	<b>1,357,749</b>	-	<b>1,357,749</b>	-
	<u><b>1,810,332</b></u>	<u>816,512</u>	<u><b>1,810,332</b></u>	<u>816,512</u>

**27 OTHER COMMITMENTS**

**Capital commitment**

The Group has no capital commitments as at year end. (2016: Nil)

## **PRECISION AIR SERVICES PLC**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

#### **NOTES (CONTINUED)**

##### **28 SEGMENT INFORMATION**

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

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

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

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

PRECISION AIR SERVICES PLC

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017

NOTES (CONTINUED)

28 SEGMENT INFORMATION (CONTINUED)

	Group			Company		
	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
<u>Year ended 31 March 2017</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>
Passengers	62,654,879	17,100,781	79,755,660	62,654,879	17,100,781	79,755,660
Cargo	156,666	274,076	430,742	156,666	274,076	430,742
Mail services	69,803	-	69,803	69,803	-	69,803
Excess baggage	319,929	95,397	415,326	319,929	95,397	415,326
Cancellation Income	300,277	-	300,277	300,277	-	300,277
No show fees	1,295,367	-	1,295,367	1,295,367	-	1,295,367
Fuel surcharge	14,459,497	198,211	14,657,708	14,459,497	198,211	14,657,708
Passenger Interline	-	113,162	113,162	-	113,162	113,162
	<b>79,256,418</b>	<b>17,781,627</b>	<b>97,038,045</b>	<b>79,256,418</b>	<b>17,781,627</b>	<b>97,038,045</b>
<u>Year ended 31 March 2016</u>						
Passengers	50,850,175	18,101,988	68,952,163	50,850,175	18,101,988	68,952,163
Cargo	101,092	339,022	440,114	101,092	339,022	440,114
Mail services	51,680	-	51,680	51,680	-	51,680
Excess baggage	183,072	50,495	233,567	183,072	50,495	233,567
Cancellation Income	357,034	-	357,034	357,034	-	357,034
No show fees	2,312,681	-	2,312,680	2,312,681	-	2,312,680
Fuel surcharge	16,095,477	4,692,044	20,787,521	16,095,477	4,692,044	20,787,521
Others	286,227	-	286,227	286,227	-	286,227
	<b>70,237,438</b>	<b>23,183,549</b>	<b>93,420,986</b>	<b>70,237,438</b>	<b>23,183,549</b>	<b>93,420,986</b>

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 29 CONTINGENCIES

##### Legal claims

As at 31 March 2017, the Group was a defendant in the following legal actions:

##### (i) Alphonse Makau Kioko vs. Precision Air Services Plc

Labour dispute filed at the Commission for Mediation and Arbitration [CMA] at Ilala, Dar es Salaam, where Mr. Kioko claims USD 33,000 as terminal dues (end of contract), TZS 103,206,120 as unremitted NSSF contributions, and payment of USD 15,600 as subsistence allowance from 05/03/2013 to 07/08/2013. PW engaged M.A Ismail & Co Advocates as external Counsel for the matter. Mr. Kioko's initial complaint was dismissed by CMA for being filed out of time, His subsequent application for condonation [a prayer before the CMA for a complaint to be admitted though filed out of time] was successful. Precision Air filed an application to the High Court (Labour Division) at Dar es Salaam praying for the CMA admission to be revised. The High Court Labour Division dismissed PW's Application for Revision, the matter has been referred back to CMA for the case to continue with Mediation.

##### (ii) Graf -1 (Aviation) WSA Limited Vs Precision Air Services Plc

The matter is being handled by Sheikh Law Chambers and M. A. Ismail & Co Advocates. This was a matter of Graf 1's Application for registration and enforcement of the Judgement of the High Court of Justice of England against PW before the High Court of Tanzania [Commercial Division], in Dar es Salaam claiming an awarded US \$ 4,060,936 for an alleged breach of the Aircraft lease Agreement [failure to make payments for rents and maintenance]. A ruling was issued in favour of PW in that the registration and enforcement was denied to Graf 1. Graf 1 again filed with the High Court [Commercial Division], an application for leave to appeal to the Court of Appeal; hearings have been concluded on this and the parties await for a ruling.

##### (iii) Others Labour relation matters

There are some pending labour relation matters under mediation between former employees and the company. It is not practicable to determine the timing and ultimate liabilities (if any) that may crystallise upon resolution of the pending matters. In opinion of the directors there is no significant exposure to the company that would warrant provision in the financial statements for these cases.

#### 30 EMPLOYEES

Number of employees for the Group at the end of the year was 436 (2016: 509).

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

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

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

	<u>2017</u>	<u>2016</u>
<b>Group</b>		
Loss for the year (TZS'000)	<b>(27,242,165)</b>	<b>(96,475,695)</b>
Number of shares ('000')	<b>160,473</b>	160,473
Earnings Per Share (TZS)	(169.76)	(601.20)
<b>Company</b>		
Loss for the year (TZS'000)	<b>(29,801,051)</b>	<b>(95,961,615)</b>
Number of shares ('000')	<b>160,473</b>	160,473
Earnings Per Share (TZS)	(185.71)	(597.99)

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 32 CAPITAL MANAGEMENT

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

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 2017 and 31 March 2016.

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

The Group does not have a target debt ratio.

<b>Group</b>	<b>Group 2017 TZS'000</b>	<b>Group 2016 TZS'000</b>	<b>Company 2017 TZS'000</b>	<b>Company 2016 TZS'000</b>
Borrowings	<b>315,750,972</b>	306,206,136	<b>315,750,972</b>	306,206,136
Trade and other payables	<b>75,055,709</b>	75,697,431	<b>75,055,709</b>	75,706,642
Cash and bank balances	<b>(736,278)</b>	(4,715,374)	<b>(683,379)</b>	(4,662,110)
Net debt	<b>390,070,403</b>	377,188,193	<b>390,123,302</b>	377,250,668
Equity	<b>(248,583,519)</b>	(221,341,354)	<b>(249,502,540)</b>	(219,701,489)
<b>Capital and net debt</b>	<b>141,486,884</b>	155,846,839	<b>140,620,762</b>	157,549,179
<b>Net debt ratio</b>	<b>276%</b>	242%	<b>277%</b>	239%

#### ***Externally imposed capital requirements***

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

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



**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**33 FAIR VALUE DISCLOSURES**

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

<b>Group</b>	<b>Fair values</b>		<b>Carrying amount</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
<b><u>Financial assets</u></b>				
Trade and other receivables	<b>7,500,397</b>	7,933,080	<b>7,500,397</b>	7,933,080
Cash and short-term deposits	<b>736,278</b>	4,715,374	<b>736,278</b>	4,715,374
<b><u>Financial liabilities</u></b>				
Borrowings	<b>74,554,130</b>	109,739,184	<b>315,750,972</b>	306,206,136
Trade and other payables	<b>35,080,100</b>	37,733,649	<b>35,080,100</b>	37,733,649
<b><u>Company</u></b>				
<b><u>Financial assets</u></b>				
Trade and other receivables	<b>7,552,976</b>	11,201,162	<b>7,552,976</b>	11,201,162
Cash and short-term deposits	<b>683,379</b>	4,662,110	<b>683,379</b>	4,662,110
<b><u>Financial liabilities</u></b>				
Borrowings	<b>74,554,130</b>	109,739,184	<b>315,750,972</b>	306,206,136
Trade and other payables	<b>35,080,100</b>	37,742,860	<b>35,080,100</b>	37,742,860

The Group did not have at the reporting date any financial assets and liabilities measured at fair value.

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

The carrying amounts of bank overdrafts approximate their fair values due to their short term maturities. The carrying amounts of term loans other than those for Citibank, Finfund and EDC are deemed to approximate their fair values due to materiality of the amounts involved. Due to the significance of the default (both on instalment payments and other borrowing terms, as well as the long duration of default) on the Citibank, Finfund and EDC term loans, it is difficult to determine the existence of market participants for an orderly transaction and consequently the fair value of the borrowings. The fair value disclosed below for the Citibank, Finfund and EDC term loans is estimated by first determining the expected cash flows over a 5 year period (2016: 6 years) using an interest rate of 5% (2016: 5%), then discounting those expected cash flows using an assumed market rate of 15% (2016: 15%).

<b>Fair value of borrowings</b>	<b>2017</b>	<b>2016</b>
	<b>TZS'000</b>	<b>TZS'000</b>
<b><u>Term loans</u></b>		
- Citibank/Finfund/EDC	61,891,508	92,050,956
- Stanbic Bank Tanzania Ltd	-	28,156
- KCB (T) Limited	726,344	1,545,802
- Hassan & Sons	-	312,639
<b><u>Bank overdrafts</u></b>		
- Kenya Commercial Bank (US\$)	2,256,620	2,338,753
- Kenya Commercial Bank (TZS)	1,569,435	1,329,606
- Stanbic Bank Tanzania	8,110,223	12,133,272
	<b>74,554,130</b>	<b>109,739,184</b>

**PRECISION AIR SERVICES PLC**

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

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

	<u>31-Mar-17</u>	<u>31-Mar-16</u>
	TZS'000	TZS'000
Cost	<b>92,688,805</b>	92,688,805
Accumulated depreciation	<b>(23,806,638)</b>	(23,806,638)
Fair value loss	<b>(22,393,486)</b>	(22,393,486)
<b>Sub total</b>	<b>46,488,681</b>	46,488,681
Reversal of fair value loss	<b>9,738,525</b>	-
Transfer to property and equipment	<b>(56,227,206)</b>	-
<b>Fair value</b>	<b>-</b>	<b>46,488,681</b>

The sale and leaseback transaction that gave rise to non-current assets held for trade is no longer under consideration as at the reporting date.

	<u>31-Mar-17</u>
	TZS'000
Cost transfer to property and equipment (Note 13)	<b>92,688,805</b>
Accumulated depreciation transfer to property and equipment (Note 13)	<b>(36,461,599)</b>
Carrying value transferred	<b>56,227,206</b>
<b>Reversal of fair value loss:</b>	
Previously recorded fair value loss	<b>22,393,486</b>
Depreciation for period non-current assets were classified as held for sale	<b>(6,183,505)</b>
Aircraft engine impairment for the year ended 31 March 2017	<b>(6,471,456)</b>
	<b>9,738,525</b>

**35 PRIOR YEAR ADJUSTMENTS**

**Statement of profit or loss and other comprehensive income**

Group	As previously stated	Adjustment	As restated
	TZS'000	TZS'000	TZS'000
<b>Year ended 31 March 2016</b>			
1) Revenue	90,751,272	2,669,714	93,420,986
1) Other income	3,271,562	(2,669,714)	601,848
2) Administrative expenses	(34,419,398)	(5,341,265)	(39,760,663)
3) Increase in Impairment of receivables	(12,620,245)	(4,298,897)	(16,919,142)
4) Cost of sales	(71,285,082)	7,658,275	(63,626,807)
5) Finance costs	(15,484,626)	(2,571,277)	(18,055,903)
5) Gain/(Loss) on foreign currency exchange	(50,495,538)	(246,494)	(50,742,032)
Impact on total comprehensive loss		<u>(4,799,658)</u>	

# PRECISION AIR SERVICES PLC

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### NOTES (CONTINUED)

#### 35 PRIOR YEAR ADJUSTMENTS (CONTINUED)

##### Statement of profit or loss and other comprehensive income (continued)

###### Year ended 31 March 2015

2) Administrative expenses	(33,531,022)	(1,533,967)	(35,064,989)
5) Finance costs	(8,811,510)	(1,361,982)	(10,173,492)
5) Gain/(Loss) on foreign currency exchange	(21,700,860)	<u>(26,535)</u>	(21,727,395)
Impact on total comprehensive loss		<u>(2,922,484)</u>	

###### Company

###### Year ended 31 March 2016

1) Revenue	90,751,272	2,669,714	93,420,986
1) Other income	3,271,562	(2,669,714)	601,848
2) Administrative expenses	(34,236,959)	(5,341,265)	(39,578,224)
3) Increase in Impairment of receivables	(12,620,245)	(4,298,897)	(16,919,142)
4) Cost of sales	(71,285,082)	7,658,275	(63,626,807)
5) Finance costs	(15,484,626)	(2,571,277)	(18,055,903)
5) Gain/(Loss) on foreign currency exchange	(50,183,815)	<u>(246,494)</u>	(50,430,309)
Impact on total comprehensive loss		<u>(4,799,658)</u>	

###### Year ended 31 March 2015

2) Administrative expenses	(30,627,180)	(1,533,967)	(32,161,147)
5) Finance costs	(8,800,704)	(1,361,982)	(10,162,686)
5) Gain/(Loss) on foreign currency exchange	(21,700,860)	<u>(26,535)</u>	(21,727,395)
Impact on total comprehensive loss		<u>(2,922,484)</u>	

#### 1) Prior year adjustments on revenue and other income

Reclassification of income relating to principal activities from other income to revenue.

#### 2) Prior year adjustment on administrative expenses

Recognition of penalties and interest for non compliance with contractual requirements.

#### 3) Prior year adjustment on Impairment of receivables

Recognition of impairment for receivables for 2016 that had not been recognised

#### 4) Prior year adjustments on cost of sales

- TZS 1,474,767 – recognition of accumulated foreign exchange rate effects on monetary items not recognised in prior year.
- TZS 6,183,508 – reversal of depreciation charged erroneously on assets classified as held for sale.

#### 5) Prior year adjustments on finance costs and gain/loss on foreign currency exchange

Recognition of unrecorded default interest for arrears on borrowings and the related exchange rate effects.

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**35 PRIOR YEAR ADJUSTMENTS (CONTINUED)**

**Statement of financial position**

<b>Group</b>	<b>As previously stated TZS'000</b>	<b>Adjustment TZS'000</b>	<b>As restated TZS'000</b>
<b>As at 31 March 2016</b>			
1) Provisions	-	(14,530,345)	(14,530,345)
2) Non current borrowings	(130,153,293)	130,153,293	-
2) Current borrowings	(171,846,554)	(134,359,582)	(306,206,136)
3) Property plant and equipment	108,930,955	6,183,508	115,114,463
4) Trade and other payables	(77,172,198)	1,474,767	(75,697,431)
5) Trade and other receivables	12,239,937	(4,298,897)	7,941,040
Impact on total equity	(205,964,098)	(15,377,256)	(221,341,354)
<b>As at 31 March 2015</b>			
1) Provisions	-	(9,189,080)	(9,189,080)
2) Non current borrowings	(145,418,797)	145,418,797	-
2) Current borrowings	(92,862,454)	(146,807,314)	(239,669,768)
Impact on total equity	(114,288,062)	(10,577,597)	(124,865,659)
<b>Company</b>			
<b>As at 31 March 2016</b>			
1) Provisions	-	(14,530,345)	(14,530,345)
2) Non current borrowings	(130,153,293)	130,153,293	-
2) Current borrowings	(171,846,554)	(134,359,582)	(306,206,136)
3) Property plant and equipment	107,655,593	6,183,508	113,839,101
4) Trade and other payables	(77,181,409)	1,474,767	(75,706,642)
5) Trade and other receivables	15,508,019	(4,298,897)	11,209,122
Impact on total equity	(204,324,233)	(15,377,256)	(219,701,489)
<b>As at 31 March 2015</b>			
1) Provisions	-	(9,189,080)	(9,189,080)
2) Non current borrowings	(145,418,797)	145,418,797	-
2) Current borrowings	(92,862,454)	(146,807,314)	(239,669,768)
Impact on total equity	(113,162,277)	(10,577,597)	(123,739,874)

1) Prior year adjustments on provisions

Recognition of penalties and interest for non compliance with contractual requirements. It includes TZS 7,655,113 recognised as at 1 April 2014.

2) Prior year adjustments on borrowings

Reclassification of non current portion of borrowings to current as a result of breach of borrowing terms and recognition of unrecorded default interest for arrears on borrowings and the related exchange rate effects.

3) Prior year adjustments on property, plant and equipment

Reversal of depreciation charged erroneously on assets classified as held for sale.

4) Prior year adjustments on trade and other payables

Recognition of accumulated foreign exchange rate effects on monetary items not recognised in prior year.

5) Prior year adjustments on trade and other receivables

- recognition of impairment for receivables for 2016 that had not been recognised

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**35 PRIOR YEAR ADJUSTMENTS (CONTINUED)**

**Statement of cash flows – Year ended 31 March 2016**

<b>Group</b>	<b>Note</b>	<b>As previously stated TZS '000</b>	<b>Adjustment TZS '000</b>	<b>As restated TZS '000</b>
<b>Operating activities</b>				
Loss before income tax	1	(91,383,864)	(4,799,658)	(96,183,522)
<i>Adjustments for:</i>				
• Depreciation of property and equipment	1	21,326,192	(6,183,508)	15,142,684
• Interest on borrowings	1	15,484,626	2,571,277	18,055,903
• Exchange loss on borrowings	1	49,707,384	246,494	49,953,878
<i>Changes in working capital:</i>				
• other financial assets	2	553,269	(553,269)	-
• trade and other receivables	3	(3,373,749)	4,298,897	925,148
• trade and other payables	1	17,643,938	(1,474,767)	16,169,171
• provisions	1	-	5,341,265	5,341,265
<b>Investing activities</b>				
Aircraft security deposit – refunded	2	-	553,269	553,269
<b>Company</b>				
<b>Operating activities</b>				
Loss before income tax	1	(90,889,702)	(4,799,658)	(95,689,360)
<i>Adjustments for:</i>				
• Depreciation of property and equipment	1	21,123,969	(6,183,508)	14,940,461
• Interest on borrowings	1	15,484,626	2,571,277	18,055,903
• Exchange loss on borrowings	1	49,707,384	246,494	49,953,878
<i>Changes in working capital:</i>				
• other financial assets	2	553,269	(553,269)	-
• trade and other receivables		(5,198,777)	4,298,897	(899,880)
• trade and other payables	1	19,085,403	(1,474,767)	17,610,636
• provisions	1	-	5,341,265	5,341,265
<b>Investing activities</b>				
Aircraft security deposit – refunded	2	-	553,269	553,269

- 1) These adjustments are explained within the prior year adjustments for the statement of profit or loss and other comprehensive income and the statement of financial position.
- 2) Reclassification from operating activities to investing activities.
- 3) Recognition of impairment for receivables for 2016 that had not been recognised

**PRECISION AIR SERVICES PLC**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2017**

**NOTES (CONTINUED)**

**35) PRIOR YEAR ADJUSTMENTS (CONTINUED)**

**Disclosure of unrecognised deferred income tax assets**

<b>Group</b>	<b>As previously stated TZS'000</b>	<b>Adjustment TZS'000</b>	<b>As restated TZS'000</b>
<b>As at 31 March 2016</b>			
Accelerated capital deductions	37,390,852	(4,862,946)	32,527,906
Foreign exchange losses and provisions	(43,526,389)	19,222,423	(24,303,966)
Tax losses	(44,601,921)	(3,673,010)	(48,274,931)
<b>Net deferred tax asset</b>	<b>(50,737,458)</b>	<b>10,686,467</b>	<b>(40,050,991)</b>
<b>As at 31 March 2015</b>			
Accelerated capital deductions	32,854,265	(211,486)	32,642,779
Foreign exchange losses and provisions	(20,227,216)	14,900,219	(5,326,997)
Tax losses	(44,601,921)	3,289,948	(41,311,973)
<b>Net deferred tax asset</b>	<b>(31,974,872)</b>	<b>17,978,681</b>	<b>(13,996,191)</b>
<b>Company</b>			
<b>As at 31 March 2016</b>			
Accelerated capital deductions	37,390,852	(4,862,946)	32,527,906
Foreign exchange losses and provisions	(43,526,389)	19,222,423	(24,303,966)
Tax losses	(44,601,921)	(3,673,010)	(48,274,931)
<b>Net deferred tax asset</b>	<b>(50,737,458)</b>	<b>10,686,467</b>	<b>(40,050,991)</b>
<b>As at 31 March 2015</b>			
Accelerated capital deductions	37,390,852	(4,748,073)	32,642,779
Foreign exchange losses and provisions	(19,871,429)	14,524,512	(5,346,917)
Tax losses	(49,474,295)	8,162,322	(41,311,973)
<b>Net deferred tax asset</b>	<b>(31,954,872)</b>	<b>17,938,761</b>	<b>(14,016,111)</b>

The above adjustments relate to:

- 1) The deferred tax effects of the adjustments are explained within the prior year adjustments for the statement of profit or loss and other comprehensive income and the statement of financial position.
- 2) Exclusion of provisions for expenses that are not tax deductible that were previously erroneously treated as tax deductible.

**36) SUBSEQUENT EVENTS**

There was no significant event after the balance sheet date.