



# PRECISION AIR SERVICES Plc



# PROSPECTUS

12 September 2011

**This document is not for sale**

# PRECISION AIR SERVICES Plc

Incorporated in Tanzania under the Companies Act Cap 212  
(Revised Laws 2002) of the Laws of Tanzania

## PROSPECTUS

In respect of an offer for subscription by Precision Air Services of 58,841,750 shares in PAS at TZS 475 per share, which following the offer for subscription will represent 30.35% of the issued and paid up ordinary share capital of 193,856,750 ordinary shares of TZS 20 each



12 September 2011

**CAUTION STATEMENT**

**A copy of this prospectus has been delivered to the Capital Markets and Securities Authority and to the Registrar of Companies for registration. Approval of this prospectus by the Capital Markets and Securities Authority is not taken as an indication of merits of Precision Air Services or its shares.**

**The shares offered have not been approved or disapproved by the Capital Markets and Securities Authority.**

**Prospective investors should carefully consider the matters set forth under the caption "Risk Factors" in section 9 of this prospectus.**

**This document is not for sale**

## IMPORTANT INFORMATION

The Information contained in this prospectus is provided in compliance with the requirements of the Companies Act Cap. 212 (Revised Laws 2002) of the Laws of Tanzania, the Capital Markets and Securities Act No. 5 of 1994, the regulations of the Capital Markets and Securities Authority (CMSA) and the rules of the Dar es Salaam Stock Exchange (DSE).

To enable Precision Air Services Plc ("Precision Air Services" or the "Company") to achieve its objective of public ownership by Tanzanian citizens and in order to create among Tanzanians a sense of national airline, the following important policy decisions have been made:

1. 3% out of the 30.35% Precision Air Services shares on offer to the public have been reserved and shall be allotted to Precision Air Services employees only.
2. A minimum of 51% of the shares offered to the public shall be offered to Tanzanian persons (individuals who are citizens of Tanzania and corporations and institutions incorporated in Tanzania and whose shares are majority owned by Tanzanian citizens). The remaining 49% can be allotted to Tanzanian persons and non-Tanzanian persons. The Tanzanian persons are however not allowed to buy these shares on behalf of non-Tanzanian persons.

The Offer Shares applied for pursuant to the offer will carry the right to participate in all future dividends to be declared and paid on the ordinary share capital of the Company for financial year starting 1 April 2011 and onwards. The offer shares shall rank pari passu with the other shares of Precision Air Services.

CRB AFRICA LEGAL, the legal advisors to the transaction, have given and not withdrawn their written consent to have their legal opinion included as part of this prospectus in section 11.

This Prospectus contains the Reporting Accountant's opinion from PKF, which constitutes a statement made by an expert. PKF have given and not withdrawn their consent to the issue of the said statement in the form and context in which it is included in this prospectus in section 12.

## DIRECTORS DECLARATION

Each of the Directors of Precision Air Services having made all reasonable inquiries, accepts responsibility for and confirms that this prospectus contains all information with regard to the Company and the Offer, which is material in the context of the Offer, that the information contained in this prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions misleading in any material respect. The directors of Precision Air Services, whose names appear in section 7.2 of this prospectus, accept responsibility accordingly.

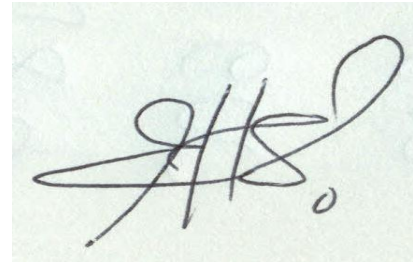
The Directors declare that they will comply with the law on the age of retirement of Directors, and in compliance with the good governance requirements of the CMSA. Those in excess of the mandatory age of retirement will have their reappointment approved by a general meeting under the requirements of the Companies Act and resolution filed with the Registrar of Companies.

The Directors declare that the Company has adequate working capital for the current and future needs of the Company.



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**Chairman**



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**Company Secretary**

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## TERMS AND ABBREVIATIONS

<b>Accountants' Report</b>	The report of the Reporting Accountants
<b>Application Form</b>	The Share Application Form set out in Appendix IV of this prospectus
<b>Audited Accounts</b>	The audited accounts of Precision Air Services contained in this prospectus.
<b>Auditors</b>	Ernst & Young, having its registered office at Utalii House, 36 Laibon Road. Oysterbay, Dar es Salaam
<b>Authorised receiving agents</b>	Authorised licensed dealing members and banks in Tanzania whose details are set out in Appendix I of this prospectus
<b>Business Day</b>	A day (other than Sunday or a day gazetted as a public holiday in Tanzania including bank holidays) on which commercial banks are open for business in Tanzania
<b>CDS</b>	The Central Depository System at the Dar es Salaam Stock Exchange
<b>CEO</b>	Chief Executive Officer of the Company
<b>Closing Date</b>	The last date and time for submission of Application Forms for this offer for subscription, which is 1600 hours on 25 November 2011
<b>CMSA or Authority</b>	The Capital Markets and Securities Authority
<b>Company or Precision Air or the Airline</b>	Precision Air Services PLC
<b>Directors</b>	The Directors of the Company whose names are given on page 22
<b>DPS</b>	Dividend Per Share
<b>DSE</b>	The Dar es Salaam Stock Exchange
<b>EPS</b>	Earnings Per Share
<b>GDP</b>	Gross Domestic Product
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards
<b>IPO</b>	Offer for subscription
<b>Kenya Airways</b>	Kenya Airways Limited, a public company incorporated in the Republic of Kenya
<b>Offer Price</b>	TZS <b>475</b> per share
<b>Opening date</b>	The first date for acceptance of applications for the offer of shares
<b>PE</b>	Price Earnings ratio
<b>Reporting</b>	PKF Tanzania, having their registered offices at Amani Place Ohio

<b>Accountants</b>	Street, Dar es Salaam.
<b>Shares</b>	Ordinary Shares of TZS 20 each in the Company
<b>TZS</b>	Tanzanian Shillings
<b>USD</b>	United States Dollars.



## CHAIRMAN'S STATEMENT

Dear Investors,

I present this prospectus on behalf of the Board of Directors of Precision Air Services in connection with the Offer for Subscription of the Company's shares. The offer is for 58,841,750 ordinary shares at a price of TZS 475 per share and is open to Tanzanian and non-Tanzanian persons. The offer was approved by a resolution of the board meeting held on the 15 July 2010 and approved by the CMSA. The offer will be followed by listing on the Dar es Salaam Stock Exchange.

Precision Air Services Ltd was incorporated in Tanzania as a private airline in 1991, by the current Chairman Mr. Michael N. Shirima and started operations in 1993. The other shareholders then were Tanzania Venture Capital Fund (TVCF) which held 33% of the issued shares and the East African Development Bank (EADB) which held 160,000 preference shares.

In 2003 Kenya Airways acquired a minority 49% shareholding (after the exit by TVCF and EADB in the same year). This strategic investment by Kenya Airways was the start of the transformation of Precision Air Services Limited into a professionally run modern regional airline.

As a result of the strategic partnership with Kenya Airways in 2003, the Airline has grown significantly in terms of passenger numbers, frequencies, manpower level and fleet. Between April 2003 and March 2011, Precision Air's annual average growth rate stood at 27% with the total passenger numbers uplifted last year (2010/11) exceeding 650,000.

Precision Air has won a number of awards both in the business community and in the airline industry, both locally and regionally. As an example, in 2008, Precision Air Services Ltd won the prestigious title of the CEO's most respected Company in Tanzania.

The Airline is continuing to expand by covering more destinations in the East African region and has plans to establish international routes to Zambia, Mozambique, Democratic Republic of Congo, and many more. As at August 2011, it had achieved the following:

- IOSA certified operator and award winning airline in Tanzania
- Reputation for on-time performance 90% as per IATA standards
- Widest network in the country. Precision Air Services operates into 13 destinations both domestic and regional
- Fleet size of 11 Aircraft; five ATR 72 (70 seater); four ATR 42 (48 seater) and two B737-300 (116 seater)
- Self handling at Nyerere International Airport Dar es Salaam and Kilimanjaro International Airport
- Precision Air Services uplifts an average of 55,000 passengers a month and close to 700,000 passengers annually

The reasons for taking the Company public through the IPO and subsequent listing are:

- The ability to raise a large amount of new capital for further expansion in a short period of time
- Strengthening and diversifying the equity base
- Improving its competitive edge by being majority owned by Tanzanian nationals which will enhance customers' loyalty within Tanzania and within the East Africa region
- Improve the perception of the Airline and enhance its prestige as a listed company
- Help the Company to attract high-quality management and employees and to retain staff through the proposed employee share ownership scheme

- Access to a wider range of financing options for future growth such as issue of additional equity, enhanced credit rating with banks and lending institutions and the opportunity to issue corporate bonds through DSE and other capital markets instruments

We welcome new shareholders at Precision Air Services Plc.



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**Michael N. Shirima**

**Chairman of the Board of Directors**

## TRANSACTION ADVISORS

### LEAD TRANSACTION ADVISOR



Utalii House, 36 Laibon Road, Oysterbay  
P.O. Box 2475, Dar es Salaam, Tanzania  
Tel. +255-22-2667368/2667227  
Fax +255-22-2666948/2666869  
E-mail: [Info.tanzania@tz.ey.com](mailto:Info.tanzania@tz.ey.com)

### LEGAL ADVISOR



6th Floor Amani Place, Ohio Street  
P.O. Box 79958, Dar es Salaam, Tanzania.  
Tel. +255 -22-213 5637  
Fax: +255 -22 -213 5638  
E- mail: [info@crbafricalegal.com](mailto:info@crbafricalegal.com)

### REPORTING ACCOUNTANT



**PKF Tanzania**  
9th Floor Amani Place, Ohio Street  
P.O. Box 12729, Dar- es- Salaam,  
Tanzania  
Tel: +255 (0)22 2120806/7  
Fax: +255 (0)22 2120895  
E-mail: [pkfdar@tz.pkftz.com](mailto:pkfdar@tz.pkftz.com)

### SPONSORING BROKER



**Orbit Securities Co. Ltd**  
3rd Floor, Twiga House  
Samora Avenue, P.O. Box 70254, Dar es  
Salaam.  
Tel: +255 22 211 1758  
Fax: +255 22 211 3067  
E- mail: [orbit@orbit.co.tz](mailto:orbit@orbit.co.tz)

### LEAD RECEIVING BANK

# Stanbic Bank

A member of Standard Bank Group

PO Box 72647,  
Cnr Kinondoni and Ali Hassan Mwinyi  
Roads, Dar es Salaam, Tanzania  
Tel. +255 022 211 2195,  
Fax + 255 022 211 3742,  
E-Mail: [tanzaniatps@stanbic.com](mailto:tanzaniatps@stanbic.com)

### PUBLIC RELATIONS FIRM

# Century

*Advertising  
Tanzania Limited*

**Century Advertising Tanzania Ltd**  
Century Advertising (T) Ltd  
1st Floor, Wing 'A', NIC Life House  
Sokoine Drive/Ohio Street  
P.O. Box 7402  
Dar es Salaam, Tanzania  
E-Mail : [centuryad@cats-net.com](mailto:centuryad@cats-net.com)

## 1 FEATURES OF THE OFFER

### 1.1 TIMETABLE OF PRINCIPAL EVENTS

Opening date	9.00 am 7 October 2011
Closing date	4.00 pm 28 October 2011
Announcement of offer results	11 November 2011
Crediting shares to the CDS accounts, dispatch of depository receipts and refund cheques	25 November 2011
Listing date and commencement of trading of Precision Air Services shares on the DSE	8 December 2011

### 1.2 OFFER KEY STATISTICS

Offer price per ordinary share	TZS	475
Number of shares offered for sale		58,841,750
Gross proceeds of the offer	TZS	27,949,831,250
Estimated net proceeds of the offer (after expenses)	TZS	26,895,078,195
Number of issued shares of the company following the offer		193,856,750
Market capitalisation of the company at the offer price	TZS	92,081,956,250
EPS for the year ended 31 March 2011	TZS	10
Historical PE based on the EPS for the year ended 31 March 2011	Times	50
Net assets per share before the offer as at 31 March 2011	TZS	114

## 2 OFFER DETAILS

### 2.1 REASONS FOR THE IPO AND LISTING

The decision to launch the IPO and the subsequent listing has been driven by the following key reasons:

- The ability to raise a large amount of new capital in a short period of time for further expansion
- Strengthening and diversifying the equity base
- Improving its competitive edge by being majority-owned by Tanzanian nationals, which will enhance customers' loyalty within Tanzania and within the East Africa Region
- Improve the perception of the Airline and enhance its prestige as a listed company
- Help the Company to attract high-quality management and employees and to retain staff through the proposed employee share ownership scheme
- Access to a wider range of financing options for future growth such as issue of additional equity, enhanced credit rating with banks and lending institutions and the opportunity to issue corporate bonds through DSE and other capital markets instruments

### 2.2 THE BASIS AND OFFER PRICE

A company valuation carried out by an independent expert (NIC Capital) in July 2010 and reviewed in July 2011 was used to arrive at the fair value of the shares of the Company. The following factors were used to arrive at the value of the Company and hence the offer price:

- The historical performance of the Company;
- The earning potential of the Company; and
- Market multiples of comparable companies in the region and in other developing countries.

The Board has accordingly determined the Offer Price of TZS 475 for each Ordinary Share.

### 2.3 ELIGIBILITY

The offer for subscription is open to all Tanzanian persons and non-Tanzanian persons. However, the Board has imposed the following requirements in respect of the offer.

1. 1,765,253 shares have been reserved for Precision Air Services employees according to the terms and conditions as approved by the Board. These shares amount to 3% of the shares on offer.
2. That a minimum of 51% of the shares offered to the public shall be offered to Tanzanian persons. The remaining 49% can be allotted to Tanzanian persons and non-Tanzanian persons. The Tanzanian persons are however not permitted to buy these additional shares on behalf of non-Tanzanian persons.

### 2.4 MINIMUM NUMBER OF SHARES PER APPLICATION

1. The minimum number of shares that may be applied for is 200. Applications for more than 200 shares must be in multiples of 100 shares. Subject to the foregoing, investors may apply for any number of shares.
2. Subject to the eligibility requirements in section 2.3 above, there is no maximum restriction on the total number of offer shares that may be applied for.

## **2.5 ALLOTMENT POLICY**

Subject to CMSA approval, in the case of oversubscription, applications will be allotted on a pro rata basis but with at least 51% of the total number of shares offered to the public being reserved for Tanzanian nationals.

## **2.6 APPLICATION OF PROCEEDS**

The net proceeds (after the expenses of the offer) of TZS 26,895,078,195 from the sale of 58,841,750 shares by Precision Air Services will accrue to Precision Air Services. The proceeds will be used for fleet modernisation and expansion.

## **2.7 RIGHTS AND TRANSFERABILITY**

The offer shares are issued subject to the Memorandum and Articles of Association of the company and will rank pari passu with the existing ordinary shares of the Company in regard to voting rights, dividends, capital, and pre-emptive rights to subscribe to new issues of shares.

## **2.8 DIVIDEND POLICY**

The declaration of dividends will be recommended by the Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the profits, capital requirements and overall financial condition of the Company. The Board may also from time to time pay interim dividends.

Dividends payable will be subject to 5% withholding tax for both Tanzania and non Tanzanian persons.

## **2.9 TAX IMPLICATIONS**

Applicants should consult their own professional tax advisors in regards to the tax implications of subscribing for, holding and disposing of the shares under the offer. The Company, its staff and advisors do not accept any responsibility or liability for any tax consequences to applicants subscribing for, holding and disposing of offer shares as a result of the offer.

Holders of shares in companies listed at the DSE are subject to a 5% withholding tax on dividends as opposed to 10% for unlisted companies. There is no stamp duty payable on transactions in shares listed on the DSE compared to transaction outside the DSE which are charged at 6%. Capital gains tax is also zero for DSE transactions compared to 10% outside the Exchange.

## 3 TRANSACTION SUMMARY

### 3.1 LEGAL STATUS OF THE COMPANY

The Company was incorporated as a private limited liability company in Tanzania under the Companies Act, [Cap. 212 R.E. 2002]. It holds Certificate of Incorporation No 18960 issued on 16th January 1991. It was registered as a private company and, therefore, the shares of the Company were not freely transferable, the maximum number of shareholders was restricted to fifty and any invitation to the public to subscribe for any shares was prohibited.

On 15 July 2010 a resolution by the board of directors approved amendment to the Memorandum and Articles of Association and conversion of the Company from a private company to a public company.

On 11 March 2011 a special resolution of the shareholders approved the amended Memorandum and Articles of Association.

A certified copy of the new Articles of Association of the Company was filed with the Registrar of Companies on 14 April 2011.

### 3.2 LEGAL BASIS OF THE OFFER

The Board of Directors approved the IPO by a special resolution passed on 15 July 2010.

### 3.3 SHAREHOLDING

The Company currently has only one class of ordinary shares authorised and issued. There are no preference shares.

The issued ordinary shares have been fully paid up by two shareholders. Kenya Airways Ltd holds 49% of the ordinary shares, and Mr Michael N. Shirima, holds 51% of the ordinary shares.

#### 3.3.1 Authorised, issued and paid up shares

The authorised, issued and paid up share capital as at 31 March 2010, was as follows:

**Table 1: Share capital as at 31 March 2010**

AUTHORISED SHARE CAPITAL	
4,840,000 Ordinary Shares of TZS 1,000/= each	4,840,000,000
ISSUED AND FULLY PAID UP SHARE CAPITAL	
2,700,300 Ordinary Shares of TZS 1,000/= each	2,700,300,000

#### 3.3.2 Current shareholding structure

The current shareholding structure of the Company is as follows:

**Table 2: Share Capital structure before the split**

Name of shareholder	Number of shares held	Percentage of shares held
Michael N. Shirima	1,377,153	51%
Kenya Airways Limited	1,323,147	49%
<b>Total</b>	<b>2,700,300</b>	<b>100%</b>

By resolution on the 15 July 2010 the company resolved to do a par value share split from TZS 1,000 to TZS 20 each, thereby increasing the number of authorised shares from 4,840,000 to 242,000,000. As a result, the number of issued shares increased from 2,700,300 to 135,015,000. The shareholding structure after share split and as it stands immediately prior to the IPO is as follows:

**Table 3: Share Capital after share split**

Name of shareholder	Number of shares held	Percentage of shares held
Michael N. Shirima	68,857,650	51%

Name of shareholder	Number of shares held	Percentage of shares held
Kenya Airways Limited	66,157,350	49%
<b>Total</b>	<b>135,015,000</b>	<b>100%</b>

### 3.3.3 Shareholding structure after the "offer for subscription"

The shareholding structure after the "Offer for Subscription" is as follows:

**Table 4: Share capital after the offer**

Name of shareholder	Number of shares held	Percentage of shares held
Michael N. Shirima	68,857,650	35.52%
Kenya Airways Limited	66,157,350	34.13%
Others	58,841,750	30.35%
<b>Total</b>	<b>193,856,750</b>	<b>100%</b>

1,765,253 of the offer shares (amounting to 3% of the issued ordinary share capital) have been reserved and shall be allotted to Precision Air Services employees only according to the terms and conditions as approved by the Board.

### 3.4 MOVEMENT OF SHARES SINCE INCORPORATION

The initial nominal share capital of Precision Air Services at the time of registration in 1993 was TZS 10,000,000 divided into 10,000 shares of TZS 1,000 each. The number of issued shares was three and the shareholders were as follows:

- Michael Shirima - 1 share
- Mtengei Materu - 1 share
- Hillary Ngaleku - 1 share

In 1996, the authorized share capital was increased to TZS 1,000,000,000 divided into 1,000,000 shares of 1000 each and the number of issued shares was 600,000 divided between:

- Michael Shirima - 400,000 shares
- Tanzania Venture Capital Fund Ltd (TVCF) - 200,000 shares

In 1998, the authorised nominal share capital was increased to TZS 5,000,000,000 divided into 5,000,000 shares of TZS 1,000 each and the number of shares issued was 900,100 divided between:

- Michael Shirima - 600,067 shares
- TVCF - 300,033 shares

On 1 July 1999, the shareholders passed a special resolution which created the following shares:

- 160,000 preference shares , and
- 4,840,000 new ordinary shares.

The shareholders were as follows:-

- Michael Shirima - 600,067 Ordinary shares
- Tanzania Venture Capital Fund Ltd - 300,033 Ordinary shares
- East African Development Bank - 160,000 preference shares

In 2003, the issued shares were held as follows:

- Michael Shirima - 459,051 ordinary shares (441,049 shares were transferred to Kenya Airways Ltd on the 14 March 2003 and 300,033 shares were transferred to Michael Shirima by TVFC) ;
- Kenya Airways - 441,049 shares; and
- East African Development Bank - 160,000 preference shares



In 2005, the preference shares held by East African Development Bank were redeemed and the remaining shareholders were:

- Michael Shirima - 459,051 shares
- Kenya Airways Ltd - 441,049 shares

In 2008, the Company issued two bonus share for each one held. As a result, the number of issued shares increased to 2,700,300 ordinary shares and the shareholders were as follows:

- Michael Shirima - 1,377,153 shares
- Kenya Airways - 1,323,147 shares

On 15 July 2010, a resolution of the board of directors was passed to do a 1 to 50 share split for all ordinary shares which resulted in 135,015,000 shares of TZS 20 each. The shareholders after the split were as follows:

- Michael Shirima - 68,857,650 shares
- Kenya Airways Ltd - 66,157,350 shares

### **3.5 LITIGATION**

The Legal Opinion in section 11 of this prospectus lists the material cases which arose in the ordinary course of business in which the Company is presently involved. The Directors confirm that, apart from those cases already disclosed therein, they are not aware of any material litigation or proceedings that may have material impact on the Company's financial position.

### **3.6 REGISTRATION OF THE PROSPECTUS**

A copy of this prospectus was registered with the Registrar of Companies on 15<sup>th</sup> September 2011 in terms of section 49 of the Companies Act.

## 4 ECONOMIC OVERVIEW

### 4.1 GLOBAL ECONOMY OVERVIEW

Global economy grew by 5% in 2010 compared to 0.5% drop experienced in 2009 resulting from economic slowdown caused by global financial crisis. Growth in the global economy in 2010 is a result of fiscal and budgetary policies by countries affected by the financial crisis to rescue the situation. Growth in the world economy in 2010 was in line with growth in the developed countries which was at 3% compared to a drop of 3.4% in 2009.

Table below shows GDP growth for various regions:

**Table 5: GDP growth for various regions**

	2006	2007	2008	2009	2010
Global GDP	5.2%	5.4%	2.9%	-0.5%	5.0%
Developed Countries	3.0%	2.7%	0.2%	-3.4%	3.0%
Developing Countries	8.2%	8.8%	6.1%	2.7%	7.3%
Asian Developing Countries	10.4%	11.4%	7.7%	7.2%	9.5%
Sub-Saharan Africa	6.4%	7.2%	5.6%	2.8%	5.0%

(Source: IMF)

### 4.2 GLOBAL ECONOMY FUTURE OUTLOOK

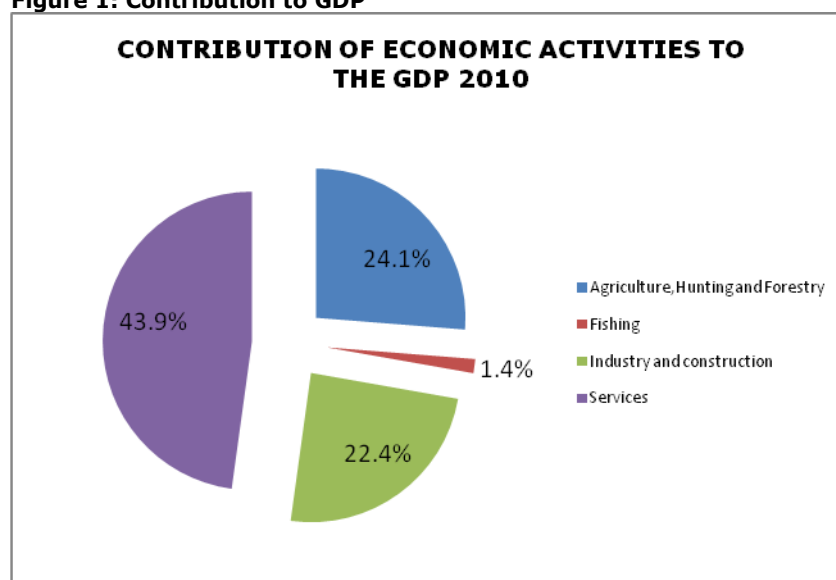
World real GDP is forecast to grow at about 4.5% in 2011 and 2012, down modestly from 5% in 2010. Real GDP in advanced economies and emerging and developing economies is expected to expand by about 2.5% and 6.5% respectively.

Inflation pressure is likely to build further as growing production comes up against capacity constraints with food and energy price increases, which weigh heavily in consumption baskets, motivating demands for higher wages.

### 4.3 TANZANIA ECONOMY OVERVIEW

In aggregate (before adjustments), the service industry comprises the largest share of the country's GDP at 43.9% in 2009/10, followed by Agriculture, Hunting and Forestry at 24.1%. The chart below shows sector contributions to Tanzanian's GDP.

**Figure 1: Contribution to GDP**



Source: The Economic Survey 2010

Broken into individual items, crops under agriculture contribute most in the country's GDP at 17.8 percent in 2009/10 followed by trade and repairs at 12.1% and manufacturing comes third at 9%.

Transport, where the airline industry belongs, contributed 5.1% to the country's GDP in 2009/10 fiscal year.

#### 4.4 KEY ECONOMIC HIGHLIGHTS – TANZANIA

In 2010 the country's GDP grew by 7% compared to 6% for 2009. This growth was attributed by increased growth rates in various sectors of the economy which have substantial contribution to the country's economy including agriculture, trade and repairs and construction.

The Gross Domestic Product amounted to TZS 32,293 billion at current prices. The population of Tanzania is estimated at 41.9 million, thus the per capital income was TZS 770,464 compared to TZS 693,470 in 2009, equivalent to 11.1 percent increase.

Growth in the transport sub sector grew by 7 percent in 2010 compared to 6 percent in 2009. Growth in the transport resulted from increased number of passengers by road, air and water and increased cargo especially at the Dar es Salaam port. Contribution by transport services to GDP increased to 5.1 percent in 2010 compared to 5.0 percent in 2009.

**Table 6: Key Economic Indicators**

	2006	2007	2008	2009	2010
GDP (at current prices) millions TZS	17,941,268	20,948,403	24,781,679	28,212,646	32,293,479
GDP (at constant 2001 prices) millions TZS	12,881,163	13,801,921	14,828,345	15,721,301	16,828,563
Inflation rate	7.30%	7.00%	10.30%	12.10%	5.50%
Exchange rate (against USD) - Average ending June	1,182.9	1,267.2	1,183.8	1,313.5	1,331.5
GDP growth	6.70%	7.10%	7.40%	6.00%	7.00%
Discount rate (Central Bank) End June	13.40%	21.40%	12.80%	10.30%	7.58%

Source: Bank of Tanzania and National Bureau of Statistics

#### 4.5 FUTURE OUTLOOK

Tanzania's medium term outlook remains bright, backed by direct foreign investment inflow. Tanzania's economy is predicted to grow around 6.6% over the next five years, with the manufacturing, mining and tourism sectors featuring strongly. An improved macroeconomic environment should attract already growing Foreign Direct Investments (FDIs).

The country's output is projected to grow by 5.5% percent in 2011. Inflation is expected to be higher (but will remain single digit) reflecting recent sharp increases in food and fuel prices.

## 5 AIRLINE INDUSTRY OVERVIEW

### 5.1 TANZANIA AIRLINE OVERVIEW

Tanzania aviation industry globally reported a USD 18 billion in 2010 (According to IATA's 2011 Annual Report). After a decade of constant crises, shocks and change, the industry is stronger and more efficient than ever<sup>1</sup>. Against the capacity expansion of 5.2%, demand increased by 10.3% and an average passenger yields improved by 6.1%. The economic growth resulted in improved in key aviation markets resulting in increased international and domestic traffic in Tanzania.

The overall passenger traffic (for all services in and out of Tanzania) increased by 9.9% from 2,754,355 persons in 2009 to 3,027,512 in 2010. Aircraft movements also increased by 8.1% from 167,610 movements in 2009 to 181,240 in 2010. This performance is attributed to the improved global economic performance as countries recover from global financial crisis.

#### 5.1.1 International Traffic:

International aircraft movements recorded an increase of 22.6% in 2010 compared to a decline of 8.6% in 2009. The number of aircraft movement increased to 28,941 movements in 2010 from 23,611 movements in 2009. Scheduled movements increased by 36.1%, from a total of 15,611 movements in 2009 to 21,316 movements in 2010. Total international passengers carried increased by 9.7% from 1,262,216 passengers in 2009 to 1,384,855 in 2010.

#### 5.1.2 Domestic Traffic:

Domestic aircraft movements at both international and domestic airports recorded a 5.8% increase in 2010 compared to a decline of 7% in 2009. The number of movements handled went up from 143,999 movements in 2009 to 152,299 movements in 2010. Likewise, the overall domestic passenger traffic in the country increased by 10.1%, from 1,492,139 passengers in 2009 to 1,642,657 passengers in 2010.

#### 5.1.3 Scheduled services traffic:

The table below shows scheduled services traffic trends from 2006 to 2010.

**Table 7: Tanzania - Total Passengers Travelled (Scheduled Services)**

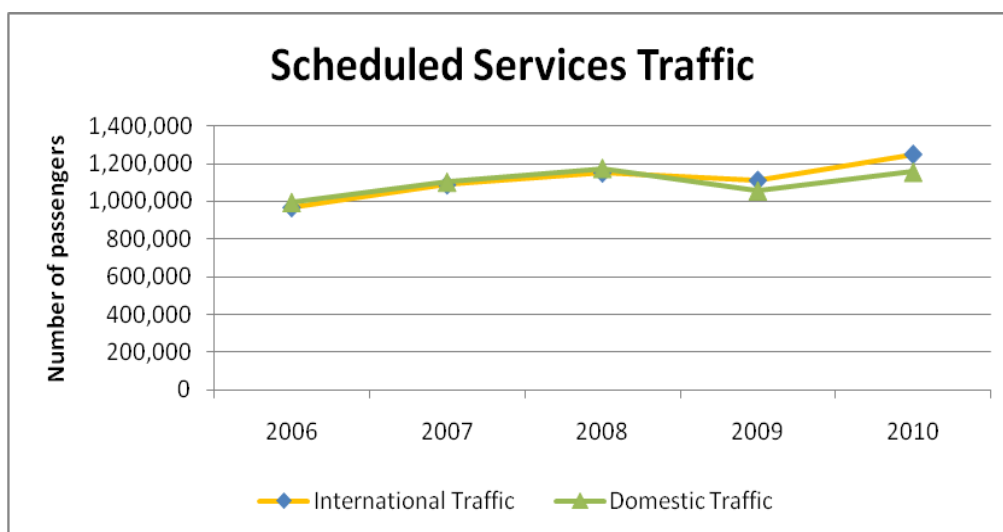
	2006	2007	2008	2009	2010
International Traffic	966,619	1,088,104	1,150,394	1,110,433	1,248,935
<i>Growth Rate - Int</i>		13%	6%	-3%	12%
Domestic Traffic	994,168	1,102,833	1,176,019	1,056,110	1,156,429
<i>Growth Rate - Dom</i>		11%	7%	-10%	9%
<b>Total</b>	<b>1,960,787</b>	<b>2,190,937</b>	<b>2,326,413</b>	<b>2,166,543</b>	<b>2,405,364</b>
<b>Overall Growth Rate</b>	<b>12%</b>	<b>12%</b>	<b>6%</b>	<b>-7%</b>	<b>11%</b>

Source: TCAA

Between 2006 and 2010, total passengers travelled on schedule services grew at an average rate of 5%. International traffic for the same period grew at an average rate of 7% and domestic traffic by 4%.

<sup>1</sup> IATA's 2011 Annual Report

**Figure 2: Air Traffic**



**Source: TCAA**

## 5.2 REGULATORY ENVIRONMENT

Tanzania airline industry is regulated by the following regulations:

- Tanzania Civil Aviation (Economic) Regulations, 2006
- Tanzania Civil Aviation (Licensing of Air Services) Regulations, 2006
- Tanzania Civil Aviation (Carriage by Air) Regulations, 2007
- Tanzania Civil Aviation (Ground Handling) Regulations, 2007
- Tanzania Civil Aviation (Rates and Charges) Rules, 2009
- Tanzania Civil Aviation (Procedures for Complaints Handling) Rules, 2009
- Tanzania Civil Aviation Rules for Conducting Inquiries, 2007

## 5.3 AIRLINE OPERATORS IN TANZANIA

As of 2010 there are 27 licensed operators in Tanzania as provided in the table below:

**Table 8: Airline Operators in Tanzania**

S/No.	OPERATOR
1	Air Tanzania Company Ltd
2	Precision Air Services
3	Coastal Travels Ltd
4	Zan Air Ltd
5	Air Excel Ltd
6	Regional Air Services Ltd
7	Auric Air Services Ltd
8	Community Airlines Ltd
9	Zantas Air Services Ltd
10	Tanzanair Ltd
11	Nomad Aviation Ltd
12	Kinasi Ltd
13	Tropical Air (Z) Ltd
14	Fly Safari Air Link Ltd
15	Air Zara APA International Ltd
16	Fly 540 (T) Limited
17	Desert Locust
18	DJB Limited
19	Flightlink

S/No.	OPERATOR
20	Kilwa Air Ltd
21	Northern Air Ltd
22	Sky Aviation Ltd
23	Spears Air Ltd
24	Tan Wing
25	Tanzania Government Flight
26	Travel Mate Limited
27	Twin Wings (Z) Ltd

Source: TCAA

## 5.4 POSITIONING IN THE INDUSTRY

Precision Air Services is the designated second national carrier of the United Republic of Tanzania having met all the requirements of a National Carrier as stipulated by the International Civil Aviation Organisation (ICAO).

As at March 2011, Precision Air Services Limited was the only Tanzanian carrier operating scheduled international flights, and at the same time maintained the largest domestic network within the United Republic of Tanzania.

As at March 2011, Precision Air Services Limited was the only Tanzanian carrier certified under IATA Operational Safety Audit (IOSA), which is the recognised airline industry standard for operational safety.

As at March 2011, Precision Air was the only Tanzanian Airline which was a current member of the IATA clearing house. Membership of the IATA clearing house facilitates cooperation and partnership with the large international carriers from all over the world allowing them to uplift Precision Air passengers on their sectors and vice versa.

## 5.5 AIRLINE SECTOR MARKET SHARE COMPARISON

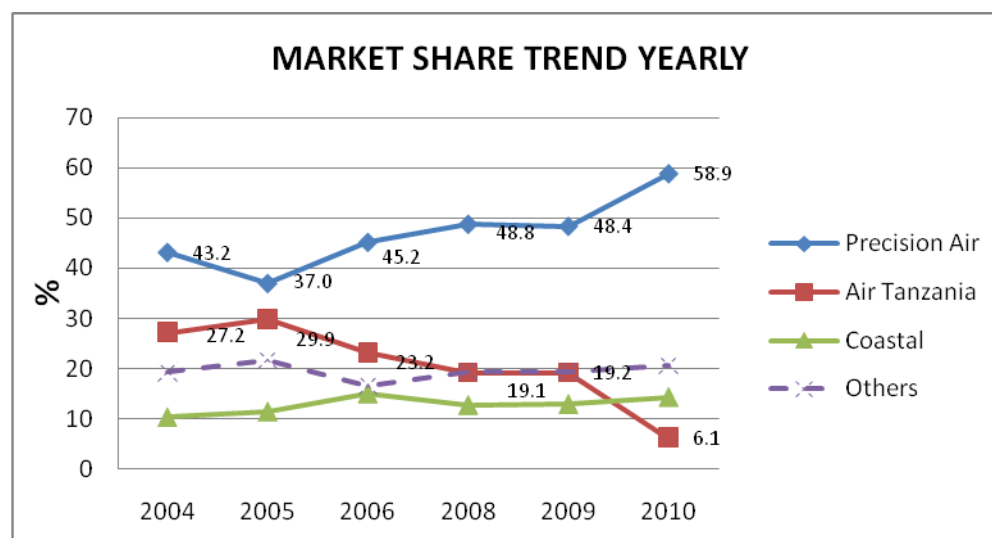
The domestic market share of the major airline operators in Tanzania is provided in the table below

**Table 9: Tanzania Airline Market**

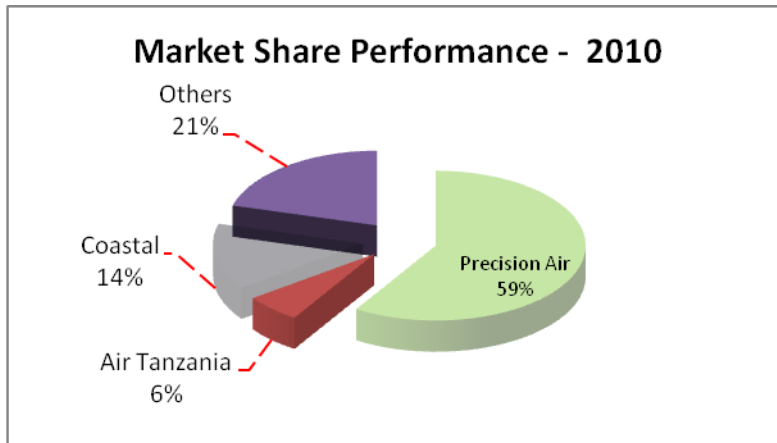
AIRLINE	2008	2009	2010
Precision Air Services Ltd	48.8%	48.4%	58.9%
Air Tanzania Company Ltd	19.1%	19.2%	6.1%
Coastal Travel	12.7%	12.9%	14.3%
Others (General Aviation Operators)	19.4%	19.5%	20.7%

Source: Source: Tanzania Airport Authority – Statistics

**Figure 3: Market Share Trend Yearly**



**Figure 4: Market Share Performance – 2010**



## **5.6 CHALLENGES FACED BY THE AIRLINE SECTOR IN TANZANIA**

The airline industry in Tanzania is facing the following challenges:

- High cost of paper air tickets – on average, it costs \$10 to produce one paper ticket compared to \$1 for an e-ticket
- Low technology usage
- Increasing jet fuel prices
- Lack of adequate human resources – personnel or experts in the country
- Lack of adequate capital for running airlines and related aviation companies
- A poor and/or adequate airport infrastructure system
- A shortage of modern hotels.

While these challenges should not be underestimated, they also present opportunities for companies such as Precision Air Services who address them with planning, good management, technical expertise and adequate capital resources.

## **5.7 FUTURE/ PROSPECTS OF THE AIRLINE INDUSTRY IN TANZANIA**

The current political and economic situation in Tanzania promises a good future for the airline industry in Tanzania. The following are the main factors that may point to a positive future for airline industry:

- Political stability in Tanzania;
- Booming tourism industry as a result of sustained and coordinated marketing (Promoting Destination Tanzania) and efforts to promote domestic tourism;
- The mining industry in Tanzania to reach a value of US\$0.50bn by 2013, contributing around 1.5% to the nation's GDP (According to BMI (Business Monitor International) forecast). Industry Forecast Tanzania's mineral industry, particularly gold mining is likely to grow in the near future, with increased production from the North Mara mine and the development of projects such as Buck reef and Tulawaka;
- Increased foreign direct investments flow to Tanzania and the East African region;
- Regional integration agreements in progress (for example the East African Community);
- Improvement of infrastructure (roads and communications);
- Government/Donors efforts to improve airport infrastructure at some of the main airports in Tanzania;
- Increased oil and gas exploration activities in the southern parts of Tanzania; and

- Discovery of Uranium deposits in Tanzania

In addition to that, the following industry specific development and technological advancement will increase efficiency, reduce costs and increase profitability

- Usage of Simplify the Business (STB) Strategy coordinated by IATA, which focuses on minimizing the costs of distribution, marketing and reservation systems;
- Usage of only e-ticketing; and
- Implementation of Common Use Self-Service (CUSS) kiosks at the airports. Via CUSS, passengers can self check-in at the airport which will decrease airline costs, and improve security and efficiency.



## 6 OPERATIONS OVERVIEW

### 6.1 GENERAL INFORMATION

PRINCIPAL PLACE OF BUSINESS	REGISTERED OFFICE
Quality Plaza Nyerere Road P.O. Box 70770 Dar es Salaam	New Safari Hotel Boma Road P.O. Box 1636 Arusha

#### BANKERS

CRDB Bank Limited P.O. Box 3150 Arusha	Stanbic Bank Tanzania Limited P.O. Box 3062 Arusha
Kenya Commercial Bank (T) Limited P.O. Box 804 Dar es Salaam	NBC Bank Limited P.O. Box 157 Zanzibar
Standard Chartered Bank Limited P.O. Box 30003 Nairobi, Kenya	Citi Bank Tanzania Limited P.O. Box 71625 Dar es Salaam
I&M Bank Limited P.O. Box 30238 00100 Nairobi, Kenya	

#### COMPANY SECRETARY

Elias Mwashuiya  
P.O. Box 70770  
Dar es Salaam

#### COMPANY AUDITORS

Ernst & Young  
Utalii House  
P.O. Box 2475  
Dar es Salaam

## 6.2 COMPANY'S HISTORY

Precision Air Services Ltd was incorporated in 1991 and started operations in 1993. Along with the founder, Mr Michael Shirima, were two other shareholders: Tanzania Venture Capital Fund (TVCF) which held 33% of the shares and East African Development Bank (EADB) which held 160,000 preference shares.

In 2003 Kenya Airways acquired a minority 49% shareholding (after the exit of TVCF and EADB in the same year) which began the transformation of its image into a professionally-run modern regional airline.

The strategic partnership with Kenya Airways in 2003 moved Precision Air Service Limited to a different level and the Airline grew significantly in terms of passenger numbers, frequencies, manpower level and fleet. Between April 2003 and March 2011, Precision Air's annual average growth rate stood at 27% with the total passenger number uplifted last year (2010/11) exceeding 650,000.

The Company is continuing to expand by covering more destinations in the East African region with plans to establish international routes to Zambia, Mozambique, Democratic Republic of Congo, and many more. Precision Air Services Limited has achieved a great deal since its inception including the following:

- Being an IOSA certified operator and award winning airline in Tanzania
- Having reputation for on-time performance 90% as per IATA standards
- Having the widest network in the country. Precision Air operates into 13 destinations both domestic and regional
- Having a modern fleet size of 11 Aircraft comprising five ATR 72's (70 seater); four ATR 42's (47 seater) and two B737-300 (116 seater)
- Now being able to self handle at Nyerere International Airport Dar es Salaam and Kilimanjaro International Airport
- Precision Air Services uplifts an average of 55,000 passengers a month and close to 700,000 passengers annually

The IPO and Listing will enable the Company to grow even further by increasing its capital which will put the company in a better position to carry out its expansion programmes.

## 6.3 MISSION STATEMENT

Precision Air Services Vision is *"To be the Airline of Choice"*

The mission of the airline is *"To Develop and Provide Superior Air Transport Services that exceeds Customer Expectations"*

## 6.4 KEY MILESTONES PRECISION AIR SERVICES LIMITED

Precision Air Services Limited began operations in 1993. It started as a private charter air transport company operating a five-seater piper Aztec aircraft. Its initial line of business mainly entailed providing connections to tourists visiting the rich natural attractions of Serengeti National Park, Ngorongoro Crater, in northern Tanzania, Zanzibar Island in the Indian Ocean and other parts of the country from its base at Arusha.

Over the years, Precision Air has achieved many milestones as described below:

S/No	Year	Achievements
1	1993	November, started operating scheduled flights
2	1996	<ul style="list-style-type: none"><li>• Acquired the first ATR 42-300 aircraft from the ATR Company in Toulouse, France.</li><li>• First ATR 42 scheduled flight sector operated-JRO/DAR</li></ul>
3	2003	Company turnaround time, Kenya Airways acquired a minority 49% shareholding leaving majority 51% shares in the control of Mr Michael Shirima which resulted to turning its image into a professionally run modern regional airline (strategically gave the airline access to the global network of Kenya Airways and its partners enhancing sustained growth in traffic handled)

4	2006	<ul style="list-style-type: none"> <li>• The only Airline with a call centre in Tanzania</li> <li>• Embarked on fleet modernization by signing a contract with ATR of France to deliver seven brand new state-of-the-art aircraft.</li> <li>• Became e-ticket compliant</li> <li>• Witnessed Precision Air undergo IATA Operational and Safety Audit (IOSA) – a first in Tanzania’s aviation industry</li> </ul>
5	2007	<ul style="list-style-type: none"> <li>• The only domestic airline with online check-in</li> </ul>
6	2008	<ul style="list-style-type: none"> <li>• Voted Airline of the Year by Tanzania Association of Travel Agents (TASOTA)</li> <li>• Awarded the CEOs Most respected company in Tanzania award</li> </ul>
7	2009	<ul style="list-style-type: none"> <li>• Largest and youngest fleet in Tanzania comprising Boeing 737 300, ATR 72-500s ATR 42-500s and ATR 42 – 320s</li> <li>• Tanzania Civil Aviation Authority (TCAA) granted the Company a self-handling license and ground handling operations started at the beginning of November</li> <li>• Witnessed a steady growth of total passenger uplift of about 16% rising from 465,349 passengers in 2007/08 financial year to 538,305 in 2008/09</li> </ul>
8	2010	<ul style="list-style-type: none"> <li>• Launched a frequent flyer programme-PAA Royal</li> <li>• East Africa Investment of year Award</li> <li>• Completed the fleet modernization programme by bringing three new aircraft-Two ATR-42’s and One ATR-72 making the fleet size of nine ATRs and one Boeing</li> <li>• Commenced construction of ultra-modern aircraft hangar complex</li> <li>• AFRAA Regional Airline of the year</li> </ul>

## 6.5 SERVICE AND PRODUCTS

Precision Air is currently headquartered in Dar es Salaam- the commercial city of Tanzania. The Airline’s main services include; scheduled flights, chartered and cargo air services. In May 2009, the Tanzania Civil Aviation Authority (TCAA) granted the company a self-handling license and ground handling operations started at the beginning of November. The Company’s request to acquire a third party ground handling license remains with TCAA.

## 6.6 FREQUENT FLYER PROGRAMME

The Airline has recently launched a Frequent Flyer Programme called PAA Royal aimed at rewarding its loyal customers for their patronage. This is another milestone for Precision Air as it became the first Tanzanian airline to introduce such a programme.

## 6.7 SWOT ANALYSIS

The SWOT analysis focuses on both internal and external factors that either facilitate or constrain the attainment of the objectives in the Company’s strategic Plan (2010 – 2015). The assessment of the internal environment on the one hand reveals a number of conditions/factors that are within the control of the organization. Strength refers to all aspects that Precision Air does well or all internal characteristics that will enhance performance of the Company. Weakness refers to something that lacks within an organization or things that an organization does poorly or conditions that places an organization at a disadvantageous position.

On the other hand, the assessment of external environment reveals conditions which are outside the control of the organization and represent opportunities and threats that the Company may take advantage/measures to exploit or mitigate in order to achieve goals of the Plan. Opportunities refer to conditions or things that will enable an organization to achieve its objective while threats are those conditions that places an organization at a disadvantage in achieving its objectives.

The internal environment consists of the factors within the Company that facilitate (strengths) or constrain (weaknesses) the attainment of the plan.

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Partnership with Kenya Airways</li> <li>2. IATA Operational Safety Audit (IOSA) Certified operator (Safety Certificate)</li> <li>3. IATA Member</li> <li>4. Use of state of the art new turboprop aircraft (ATRs) – ability to operate into short &amp; unpaved runways</li> <li>5. Wide domestic &amp; regional network</li> <li>6. Experienced, well trained and committed managerial staff</li> <li>7. Good on time performance</li> <li>8. Business process automation</li> <li>9. Wide distribution channel – (own offices, agents, GSA’s in Europe, Internet)</li> <li>10. Precision Air’s brand</li> </ol>	<ol style="list-style-type: none"> <li>1. Inadequate aircraft numbers and capability</li> <li>2. General shortage of specialized pilots and engineers</li> </ol>

The external environment of the Company includes factors within the country and those outside that have bearing on the relevance and development of the company. Thus, social, political, economic, technological and competitive developments and challenges are key aspects to be considered.

At the local scene, Tanzania’s Development Vision, 2025 provides the overarching framework to accommodate the emerging national and global realities to attain sustainable development in terms of economic, social, political, institutional, technological and environmental dimensions. One of the principal objectives of the 2025 vision is to achieve an annual economic growth rate of 8% through a diversified and semi-industrial economy with a substantial industrial sector comparable to typically middle-income countries. The vision stresses the development of an adequate level of physical infrastructure needed to cope with the level of economic development. The vision places the aviation sector as one of the top priorities for achieving the desired level of economic growth, as both the tourism, industrial and export sectors depend on the services of the aviation sector

Opportunities	Threats
<ol style="list-style-type: none"> <li>1. Domestic infrastructure improvement</li> <li>2. Upgrade of airports – Bukoba, Mafia, Mbeya</li> <li>3. Expansion of passenger terminals and runway to accommodate bigger aircraft and more passenger and cargo throughput at JNIA</li> <li>4. Regional economic blocks like EAC &amp; SADC eliminate structural barriers for investment hence opportunity for the company to expand its operations in the region</li> <li>5. Economic growth in all the EAC member countries</li> <li>6. Regional peace and political</li> </ol>	<ol style="list-style-type: none"> <li>1. Increased competition from current and potential operators</li> <li>2. Growing competition due to possible entry of new competitors as a result of liberalization and other modes of transport</li> <li>3. Geographical location (Lead time in delivery of aircraft spare parts)</li> <li>4. Variations in foreign currency exchange rates</li> <li>5. Increase in aircraft fuel prices</li> <li>6. Poor infrastructure – runway limitations (unpaved, short, lighting), airport facilities</li> <li>7. Terrorism.</li> </ol>

Opportunities	Threats
<p>stability</p> <p>7. Increased trade liberalization in the country</p> <p>8. Growth in tourism industry – an average of 5.5% annually</p> <p>9. Increase in foreign direct investments (FDI)</p> <p>10. Growth in the mining, gas &amp; oil exploration industry</p> <p>11. Designation by the Tanzania Civil Aviation Authority as a second National Carrier</p> <p>12. Bilateral agreements with other countries.</p>	

## **6.8 CORPORATE SOCIAL RESPONSIBILITY**

The Airline has identified three key community areas of support - education, assisting orphans and environmental conservation into which it contributes millions of shillings every year. It also provides assistance for unforeseen calamities and emergency situations. In March 2006 for instance, Precision Air was among companies that contributed a TZS 15 Million cash donation towards the National Food Relief Fund, a special fund established by the Tanzanian government to mobilize resources towards offsetting the famine in Tanzania.

Other initiatives lately include; material assistance to the Kilosa flood victims and adoption of the Cornel Ngaleku Children’s Centre - an orphanage located in the Kilimanjaro region.

## **6.9 ENVIRONMENT PRESERVATION**

In its efforts to preserve the environment the Company has engaged a consultant to develop and implement an environmental management system. This is in addition to recruiting an Environmental Management Officer. Earlier efforts to preserve the environment include purchasing aircraft with low carbon emissions.

## **6.10 RELATIONSHIP WITH KENYA AIRWAYS**

The most significant event in the Company’s development took place in 2003 when Kenya Airways acquired a minority 49% shareholding. This marked the beginning of the emergence of Precision Air as a modern regional airline. Precision Air and Kenya Airways entered into a five year Master Cooperation and Joint Venture dated 2 July 2008 which provides for a wide number of areas of technical assistance and co-operation between the two airlines,

The partnership between Kenya Airways and Precision Air has been mutually beneficial to both organizations. The key contributions made to the business as a result of the partnership are:

### **6.10.1 Operations / Code Share**

Precision Air carries out joint venture flights with Kenya Airways between Dar es Salaam and Nairobi. Nairobi serves as Kenya Airways’ main hub, and Precision Air connects to the Kenya Airways network for inbound and outbound traffic. Precision Air thus benefits from having access to the Kenya Airways’ worldwide sales network while Kenya Airways benefits from the Precision Air network in Tanzania.

Kenya Airways carries out ground handling functions for Precision Air aircraft in Nairobi.

### **6.10.2 Technical Assistance**

Kenya Airways provides technical assistance for engineering department of Precision Air. For example the Airline’s Boeing 737 is maintained by Kenya Airways, thus using the expertise that Kenya Airways has built over the years.

Precision Air also utilizes the stock of aircraft spare parts at Kenya Airways for its Boeing 737 aircraft.

### **6.10.3 Manpower Development**

Precision Air and Kenya Airways cooperate in the area of manpower development. This is an area of great importance to Precision Air since the most valuable asset of the Airline is its staff. Various programmes are run where Precision Air attaches employees to Kenya Airways for varied periods so as to benchmark and learn in a bid to facilitate skills transfer. Specific areas of importance include revenue management, finance and corporate communication.

Kenya Airways also transfers skilled staff on secondment to Precision Air so as to assist in manpower development. The key roles that have been filled by Kenya Airways'-trained staff are those of Managing Director and Chief Executive, Finance Director, Commercial Director and Information Systems Director.

### **6.10.4 Procurement Support**

Kenya Airways and Precision Air cooperate in the area of procurement so as to facilitate negotiation of the best deals to suit both airlines. Specific examples include the joint acquisition of Information Technology Systems and related Licenses.

#### **Information about Kenya Airways**

Kenya Airways has been an airline partner of and a major strategic investor in Precision Air since 2003. The board of Kenya Airways has welcomed the decision of Precision Air to list on the DSE and thus to widen its ownership to Tanzania nationals, and other investors. Kenya Airways intends to continue to build on the relationship with Precision Air that has developed between the two airlines over the past few years.

Between 1994 and 1995 Kenya Airways went through its own transformation when the Kenya Government privatized the company and sold 26% of the shares to KLM Royal Dutch Airlines in a strategic tie-up that has brought many benefits to Kenya Airways. In 1996 Kenya Airways was listed on the Nairobi Stock Exchange. It now has over 75,000 shareholders, with the Government holding 23% and KLM 26% of the shares respectively, while the Kenyan public and other investors own 51% of the company. Kenya Airways also listed on the Dar es Salaam Stock Exchange (2004) and the Uganda Securities Exchange (2002).

Kenya Airways is now a major international, regional and domestic airline providing passenger services, air cargo and ground handling operations. The airline operates to more than 50 destinations in Kenya, Africa, Europe, Middle East and Asia. It has a modern fleet of jet aircraft comprising four Boeing 777-200 ER's, six Boeing 767-300ER's, five Boeing 737-800's, four Boeing 737-700's, six Boeing 737-300's, five Embraer 170 LR's and one Embraer 190 AR.

Kenya Airways is a member of IATA and is certified by the Kenya Civil Aviation Authority. It is the designated national flag carrier of the Republic of Kenya. It has received numerous awards including: African Airline of the Year and African Business Airline of the Year. In 2010 Kenya Airways became a member of SkyTeam, a global network of airlines comprising such well-known carriers as Air France, KLM Royal Dutch Airlines, Northwest Airlines and Korean Air.

### **6.11 OTHER PARTNERS**

Precision Air works closely with a number of companies and has code-share agreements with over ten reputable airlines worldwide. Precision Air entered into Code Share Agreements or Special Prorate Agreements with the following airlines:

- Kenya Airways
- Virgin Atlantic Airways
- Air France
- Ethiopian Airlines
- British Airways
- Rwanda Air

- Qatar Airways
- Air Uganda
- Delta Airlines
- South African Airways
- KLM Royal Dutch Airline
- Emirates
- Air Mozambique
- Egypt Air

### **6.12 FLEET**

As at August 2011, Precision Air Services Limited ' fleet consists of: five 70-seater ATR 72-500's, four 48-seater ATR 42's and two Boeing 737-300.

The fleet modernization and fleet expansion plans have gone hand-in-hand with an increase in the volumes of passenger uplifted. The past year years have witnessed a steady growth of total passenger uplift of about 43% rising from 465,349 passengers in 2007/08 financial year to 666,537 in 2010/11. The projection in the Airline's current financial year is to uplift 965,214 equivalent to a 44% increase until end of the season in March 2012.

### **6.13 DESTINATIONS**

Precision Air currently offers the widest connections to all major towns in Tanzania including Mwanza, Tabora, Musoma, Shinyanga, Kigoma, Kilimanjaro, Zanzibar, Mtwara, Arusha and Dar es Salaam. Regionally, the carrier flies to Nairobi and Mombasa in Kenya, Entebbe in Uganda, Hahaya in the Comoros and Johannesburg in South Africa.

### **6.14 INNOVATION**

In January 2007, the carrier successfully completed a one-year project of e-ticketing technology adoption, making it the fifth airline in Africa to become e-ticket compliant.

E-ticketing is a mandatory technology for all IATA member airlines. The technology provides flexibility to passengers who enjoy the advantage of booking and checking in online. An electronic ticket is an ordinary computer print out that can be regenerated when lost as compared to the paper ticket, which if lost cannot be reprinted.

Along with becoming e-ticket compliant, the year 2006 also witnessed Precision Air undergo IATA Operational and Safety Audit (IOSA) again scoring another first in Tanzania's aviation industry.

### **6.15 JOB CREATION**

Precision Air Services Limited has created jobs for almost 600 employees 150 jobs were created in October 2009 after the Company was granted a license to do self ground handling services. When the Company is granted a license to handle third party airlines currently being pursued, even more jobs will be created.

## **7 CORPORATE GOVERNANCE AND GENERAL INFORMATION**

### **7.1 CORPORATE GOVERNANCE**

The Company's Board is responsible for the governance of the business and is accountable to the shareholders, ensuring that the Company 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 Airline with integrity and in accordance with generally accepted International Standards of corporate practice and governance.

Precision Air Services has undertaken to comply with the requirements of the Capital Markets and Securities Authority Guidelines for Corporate Governance Principles for listed companies in Tanzania.

#### **7.1.1 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 to conduct day-to-day business to the Group Managing Director and Chief Executive Officer. The Board none-the-less retains overall responsibility for establishing and maintaining the airline's overall internal control of financial, operational and compliance issues.

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

The Board has one standing committee, namely Audit and Risk Committee of the Board, which meets regularly under the terms of reference set by the Board. The committee meets four times a year, or as necessary. 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, the Finance Director, the Managing Director and Chief Executive Officer attend all meetings of the committee. The external auditors attend the meetings on invitation.

#### **7.1.3 Internal Control System**

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

#### **7.1.4 Code of Ethics**

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

#### **7.1.5 Age of Directors**

The Directors declare that they will comply with the law on the age of retirement of directors, and in compliance with the good governance requirements of the CMSA. Those in excess of the mandatory age of retirement will have their reappointment approved by a general meeting under the requirements of the Companies Act and resolution filed with the Registrar of Companies.

### **7.2 DIRECTORS**

Directors of Precision Air Services are as follows:



**Mr. Michael N. Shirima  
Chairman**

New Safari Hotel  
Boma Road  
P.O. Box 1636  
Arusha, Tanzania

**Mr. Vincent M. Shirima  
Director**

36 Corridor Area  
P.O. Box 2780  
Arusha, Tanzania

**Mr. Alfonse M. Kioko  
Managing Director & CEO**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

**Dr. Titus T. Naikuni  
Director**

Kenya Airways Base  
Airport North Road Embakasi  
P.O. Box 19002  
Nairobi, Kenya

**Mr. Ron Schipper  
Director**

25 East Road  
Morningside Sandton  
Republic of South Africa

**Ms. Fabia J. Bausch  
Director**

P. O. Box 16532  
Arusha  
Tanzania

### 7.3 SENIOR MANAGEMENT TEAM

**Mr. Alfonse M. Kioko  
Group Managing Director & CEO**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam

**Mr. Charles Ogolla  
Finance Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam

**Mr. Patrick Ndekana  
Network Planning and Strategy  
Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

**Mr. Gennaro Sicureza  
Technical Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

**Mr. Philemon Mwakitawa  
Commercial Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

**Mr. Gardy Mbala  
Information Systems Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

**Ms. Bertha Minja  
Human Resources Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

**Mr. Elias Moshi  
Ground Handling Services Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

**Mr. Kalero Mkandawire  
Operations Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

**Mr. Allen Sharra  
Quality and Safety Director**

Quality Plaza  
Nyerere Road  
P.O. Box 70770  
Dar es Salaam, Tanzania

### 7.4 PROFILES OF DIRECTORS

Name	Status	Work Experience & Education
Mr. Michael N. Shirima (67) Tanzanian	Chairman of the Board	Michael Shirima is a Tanzanian national who founded and built Precision Air Services Limited. He undertook aviation studies in the United Kingdom and USA and joined East African Airways where he worked as an

Name	Status	Work Experience & Education
		<p>Aircraft Performance Engineer. Michael rose through the ranks to the position of Operations Manager until the closure of that airline in 1977 due to the termination of the East African Community.</p> <p>Following the closure of East African Airways, Mr Shirima participated in the formation of Air Tanzania Corporation, and was appointed to the position of Director of Operations a role he held for two years. He then left formal employment so as to fulfil his dreams of private business. The initial business venture he undertook was in coffee exporting.</p> <p>In 1986, he formed a crop dusting company with the function of aerial spraying of large scale crops. His passion however always remained in aviation and in 1991 he registered Precision Air Services Limited to operate passenger charter flights into the National Parks and subsequently scheduled flights.</p> <p>Mr Shirima has served as board member of Tanzania Coffee Authority and The Bank of Tanzania. He has also served as Chairman of The Tanzania Coffee Association and The Tanzania Golf Union.</p>
Dr. Titus T. Naikuni (57) Kenyan	Director	<p>Dr. Naikuni holds a Bachelor of Science Honours Degree in Mechanical Engineering from the University of Nairobi. He is also a graduate of the Harvard Business School's Management Development Programme (PMD71) and was awarded a Doctor of Science Engineering by the Jomo Kenyatta University of Agriculture and Technology, an honorary award in recognition of his contribution to development. He joined the Magadi Soda Company in 1979 as a trainee engineer and rose to the positions of Managing Director of that company in 1995 and Managing Director of the Magadi Railway Company (a subsidiary of Magadi Soda Company) in 1996. Between August 1999 and March 2001 Dr. Naikuni was a member of a team of World Bank sponsored Kenyan technocrats, known as the "Dream Team" who were engaged by the then President Moi to turn around the Kenyan economy. In this capacity Mr. Naikuni served as Permanent Secretary to the Ministry of Information, Transport and Communications and was a member of the Board of Kenya Airways during that period. He returned to Magadi Soda Company in April 2001 where he continued to serve as Managing Director, a position he held up to his present appointment with Kenya Airways in February 2003.</p> <p>Dr. Naikuni has had extensive boardroom experience having served on various company boards including as a member of the board of Brunner Mond (South Africa), as Chairman of the Kenya Power &amp; Lighting Company Limited and as Chairman of Housing Finance Company Limited. He received the Manager of the Year Award in Kenya in 2002. He is currently a board member of Maersk Kenya Ltd, Access Kenya Ltd, deputy Chairman of Magadi Soda Company Ltd and a member of Lafarge Advisory Board.</p> <p>He was appointed by President Kibaki as the Chairman of the Kenya Police Reform Implementation Committee.</p>

Name	Status	Work Experience & Education
Mr. Vincent M. Shirima (35) Tanzanian	Director	<p>Mr Vincent Shirima is an economist by profession having studied at the University of Western Ontario in Canada.</p> <p>In addition, he is currently the managing director of Rombo Millers which is involved with sourcing coffee in Tanzania and marketing it overseas. He also doubles as the managing director of Water Solutions Drilling Company Limited which deals with underground water exploration and borehole drilling all over Tanzania.</p> <p>He has been a member of the Precision Air Services Limited Board of Directors for several years and currently a member of the Audit Committee of the Board.</p>
Mr. Ron Schipper (65) Dutch	Director	<p>Ron Schipper was born in 1945 in Bussum in the Netherlands.</p> <p>He joined KLM in 1969, flew for three years as a cabin attendant and was then transferred to cabin crew management where he worked in various management positions until 1977. He was appointed Manager of the Cabin Crew Training Department at Schiphol in the same year. He left the Netherlands in 1980 for his first posting abroad as Manager Cabin Crew seconded to Nigeria Airways in Lagos. In 1982 he was appointed Sales Manager Kenya based in Nairobi after which he was transferred to the UK in 1984 as District Manager Northern England based in Manchester. In 1986 he was appointed General Manager Ghana and in 1989 he spent a brief period in France as interim General Manager based in Paris before returning to the Netherlands to take up the appointment of Executive Secretary of the Passenger Division. Thereafter he was seconded in 1991 to Antillean Airlines in Curacao as Managing Director.</p> <p>Mr Schipper returned to the continent close to his heart, Africa, in 1994 and currently holds the position of Vice President and Area Manager Africa for KLM/Air France based in Johannesburg where he currently lives</p>
Ms. Fabia J. Bausch (38) Swiss	Director	<p>Ms Bausch undertook business studies at the Handelsschule school of commerce in Lucerne Switzerland. Between 1996 and 1997, she organized and participated in a study trip to Vietnam in collaboration with the University of St Gallen and the Swiss Commercial Chamber.</p> <p>Fabia has extensive experience in the hospitality industry and is the founder and CEO of both Un Lodge en Afrique ULEA and Chem Chem Lodge Tanzania. She has also served as Partner Manager of Loylogic Ltd Switzerland and 100 year Jubilee Event manager at Kuoni Travel Ltd Switzerland.</p> <p>Prior to moving into the hospitality industry, Fabia worked in the Finance sector having worked in institutional Equities sales at Deutsche Bank Switzerland and UBS.</p>
Mr. Alfonse M. Kioko (51)	MD and CEO	<p>Mr Alfonse Kioko is a member of the Board in addition to his duties as the Group Managing Director and CEO of</p>

<b>Name</b>	<b>Status</b>	<b>Work Experience &amp; Education</b>
Kenyan		the Company. See below for more information on Mr Kioko.

## 7.5 SENIOR MANAGEMENT TEAM

Name	Status	Work Experience & Education
Mr. Alfonse M. Kioko (51) Kenyan	Group Managing Director & CEO	<p>Alfonse Kioko is the Chief Executive Officer of Precision Air Services. He is a graduate of Harvard Business School Advanced Management Programme (AMP 174). He holds a Bachelor of Arts degree in Economics from University of Nairobi (1985) and a Master of Arts degree (Planning) – 1987, from the same University. Mr. Kioko is also a graduate of Cape Town University Business School (Management Development Programme). He has had further trainings in aviation from Maastricht University (Netherlands).</p> <p>Mr. Kioko has a wealth of experience in aviation spanning for over 20 years. He began his career in aviation as a management trainee with Kenya Airways in 1989. He quickly rose to the position of Head of Marketing Research division in a span of 2 years. He has held various positions in Kenya Airways including Route Manager Middle &amp; far East. He moved to Dubai as area Manager, East &amp; Gulf Area in 1994. Soon afterwards he was promoted to General Manager, Middle East &amp; Asia where he was in charge of operations covering 25 countries and he was a key to the expansion of Kenya Airways network in the region. He held this position up to 2003, when he was appointed Managing Director &amp; CEO of Precision Air Services.</p> <p>As CEO, Mr Kioko is responsible for ensuring that the company attains its commercial, operational, risk, and financial goals. His role covers both Precision Air Services and Precision Air Ground Handling Services. As the head of the management team, he collaborates with and is a member of the Board of Directors.</p>
Mr. Charles Ogolla(34) Kenyan	Finance Director	<p>Charles Ogolla, holds a Bachelor of Commerce Finance Option Honours degree from the University of Nairobi, and is at the final stage of the Master of Business Administration specializing in Management Information Systems from the University of Nairobi.</p> <p>He is also a Chartered Certified Accountant and Member of the Association of Chartered Certified Accountants (ACCA) UK, Certified Information Systems Auditor (CISA) USA, and Certified Internal Auditor (IIA) USA.</p> <p>He has 10 years experience in Finance and Aviation. He joined Precision Air Services Limited as the Finance Director in October 2008, from Kenya Airways where he had been the Manager Internal Audit and Risk Assessment. He Joined Kenya Airways in September 2000 as an accounts assistant and rose through the ranks to the position of Internal Audit Manager before joining Precision Air Services Limited.</p>
Mr. Patrick Wibald Ndekana(35)	Network Planning and	<p>Patrick Ndekana Heads the Network Planning and Airline Strategy department at Precision Air Services. He holds a Bachelor of Business Administration and</p>

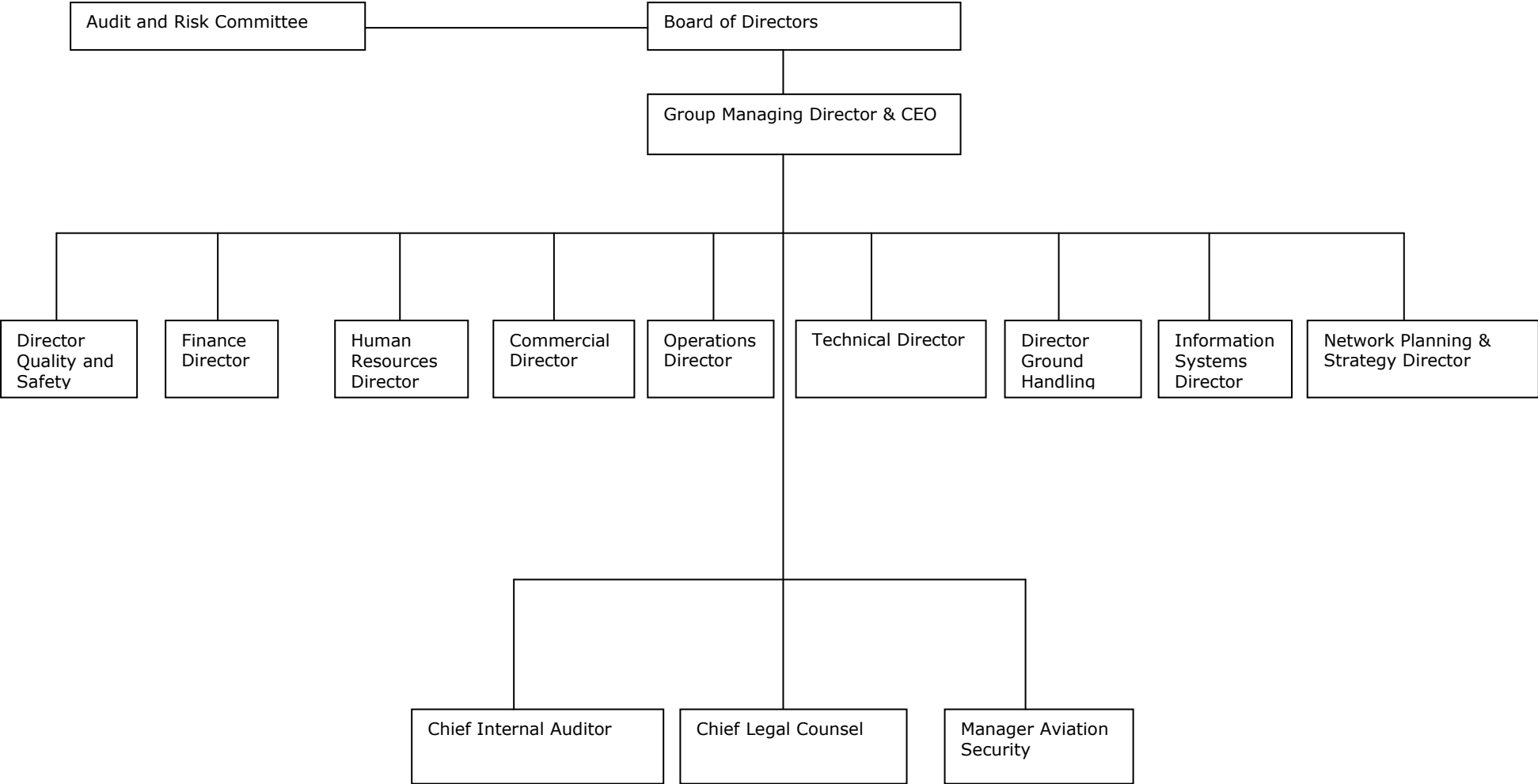
Name	Status	Work Experience & Education
Tanzanian	Strategy Director	<p>Management from Uganda Martyrs University in Kampala, and an MBA in Aerospace Management from Toulouse Business School in France.</p> <p>With over 10 years of experience in the airline industry, Mr. Ndekana joined Precision Air in February 2000 as Management Information Systems Officer, grew up the career ladder to Business Analyst then Manager Network Planning before taking on the current position.</p> <p>His role also includes Government and Industry affairs which include oversight of relations with regulatory bodies in the industry, governments and other airlines.</p>
Mr. Gennaro Sicureza (61) French	Technical Director	<p>Mr Sicureza has vast experience in the aviation industry spanning over 40 years. Of his experience 36 years has been in aircraft maintenance at various airlines in Europe, Africa and America.</p> <p>He holds a GianLorenzo Bernini and a DUT degree in Electronics. In addition he is a Certified ATR 42 / 72 Engineer and has attended various courses on Maintenance, Administration and Leadership.</p> <p>He joined Precision Air Services Limited in January 2007 as Head of Maintenance and Engineering. Other organisations where he has worked include; Air Mauritius, Air Littoral France, Bombardier Aerospace Canada, Aerospatiale Toulouse France, Aeritalia aerospace Italy and ATR Toulouse France.</p>
Mr. Philemon Mwakitawa(49) Kenyan	Commercial Director	<p>Mr Mwakitawa has many years experience in airline industry having worked for Kenya Airways and KLM.</p> <p>He holds a Masters of Science degree in Economics from the former Soviet Union.</p> <p>He joined Precision Air Services Limited in August 2006 as Head of Commercial. Other positions he has held include:</p> <ul style="list-style-type: none"> <li>• Acting commercial director (KQ) between October 2002 and November 2003.</li> <li>• In 2004 he was attached to the KLM Africa operations.</li> <li>• He also served as KQ Country Manager for Malawi.</li> <li>• He joined the Company in August 06 from Ghana International where he was Vice president in the Commercial Department</li> </ul>
Mr. Allen Sharra (58) Tanzanian	Quality and Safety Director	<p>Mr Sharra was promoted to this position in October 2005 after having served with Precision Air for over seven years in the operations department where he was the Operations Planning Manager.</p> <p>He joined Precision Air in 1999, having worked with the TCAA as Air Traffic Controller from 1978-1980 and as Operations Planning Officer with Air Tanzania from 1980 up to 1999.</p>

Name	Status	Work Experience & Education
		<p>Allen holds a Diploma in Flight Operations from Sheffield School of Aeronautics in the USA.</p> <p>He has attended the IATA Quality System Course and ICAO Safety Management System course.</p>
Mr. Gardy Mbala (36) Kenyan	Information Systems Director	<p>Mr. Mbala holds a Bachelor of Science Honours Degree in Computer Science and Statistics from Jomo Kenyatta University of Agriculture and Technology. He has also trained with London Business School's Management Development Programme. He is a Certified Information Systems Auditor (CISA) and Certified Information Security Manager (CISM) by IT Governance Institute- USA. He is also Certified IT Services Manager by ISEB-UK.</p> <p>He is Responsible for leading the creation and successful implementation of effective Information Systems Strategy that supports the airlines business objectives. He has over 13 year experience in Information systems cutting across telecommunications, retail and airline industries.</p> <p>He joined Precision Air Services Limited in January 2010 from Kenya Airways where he was Manager Business Continuity for 4 years. Between 2002 and 2005 he was Systems Manager at Uchumi Supermarkets-Kenya where he was instrumental in implementation of ERP and Front office systems. He worked with a number of Telecommunications Service Providers (Form-Net Africa, Spacenet Online, and African Regional Centre for computing) between 1997 and 2002.</p>
Mr. Elias Moshi (57) Tanzanian	Ground Handling Services Director	<p>Mr Moshi joined Precision Air Services Limited in July 1995 after serving the now defunct East African Community Directorate of Civil Aviation, and later the Tanzanian Directorate of Civil Aviation for a period spanning over 20 years as an Air Traffic Controller. He has over 26 years working experience in the Aviation Industry</p>
Ms. Bertha Minja (47) Tanzanian	Human Resources Director	<p>MS Minja holds an Advanced Diploma in Public Administration, Certificate in HR management (USA) and a MBA from ESAMI</p> <p>She joined Precision Air Services Limited on 1 June 2007 as Human Resources Manager with more than 18 years work experience on Human Capital Management.</p> <p>She has worked with the Banks such as Standard Chartered (T) Bank, The Delphis Bank (T) Ltd, and FBME BANK Limited at managerial level.</p>
Mr. Kalero Mkandawire (55) Malawian	Operations Director	<p>Mr Mkandawire is a registered airline pilot with type ratings on the following aircraft types: Cherokee PA28, Chipmunk, Beechcraft Baron D55, Shorts Skyvan, King Air C90, HS748, BAC 1-11, Dornier 228, LET 410, ATR 42, and B737/300/500.</p> <p>Prior to joining Precision Air, Kalero held various positions at Air Malawi. Some of the positions held</p>

Name	Status	Work Experience & Education
		<p>included Flight Safety Office, Chief Pilot, Operations Director, Training Captain and Type rating examiner for the Malawi Civil Aviation Authority.</p> <p>Mr Mkandawire combines both his administrative duties and flight duties as he is also a line pilot and Captain on the Boeing 737 fleet at Precision Air Services.</p>



**7.6 PRECISION AIR SERVICES ORGANISATIONAL CHART**



## **7.7 INVESTING IN PEOPLE, HUMAN DEVELOPMENT, CAPACITY BUILDING AND KNOWLEDGE TRANSFER**

Precision Air Services Limited has invested significantly in its Human Capital to enhance capacity building and ensure knowledge transfer. The Airline has trained its own Pilots as well as Aircraft Engineers/Technicians.

So far four Pilots have been trained from scratch to acquire rare and expensive skills. In addition, the Company has trained a total of 12 technicians for the past 3 years in collaboration with ATR Toulouse France.

Human development has not left out the management skills required to run an airline business in a competitive environment. Five management staff have so far been enrolled into the MBA programme in Toulouse.

## 8 FINANCIAL SUMMARY

The sections below provide a summary of the income statements, balance sheets and cashflow Precision Air Services Limited for the years 31 March 2007 to 31 March 2011. The summary income statements and balance sheets have been extracted from the Company's audited financial statements as at such dates and for the periods then ended. Such summary should be read in conjunction with the financial information and related notes appearing in the Accountant's Report in section 12 of this prospectus.

### 8.1 SUMMARY OF THE FINANCIAL STATEMENTS

#### 8.1.1 Statement of Income

**Table 10: Statement of income**

	2007 TZS' 000	RESTATED 2008 TZS' 000	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Revenue	54,341,011	57,987,577	84,344,352	92,493,357	113,605,908
Cost of Sales	(35,782,233)	(38,840,757)	(61,076,770)	(60,190,813)	(70,121,988)
<b>Gross Profit</b>	<b>18,558,778</b>	<b>19,146,820</b>	<b>23,267,582</b>	<b>32,302,544</b>	<b>43,483,920</b>
Other Income	645,992	118,823	194,486	185,121	405,440
Marketing Costs	(508,929)	(683,387)	(671,565)	(654,173)	(1,164,090)
Impairment	(162,354)	(357,659)	(466,060)	(103)	(30,881)
Administrative costs	(10,787,492)	(14,273,167)	(15,880,859)	(22,680,391)	(30,768,502)
<b>Operating profit</b>	<b>7,745,994</b>	<b>3,951,430</b>	<b>6,443,584</b>	<b>9,152,998</b>	<b>11,925,887</b>
Finance Costs	(830,852)	(751,160)	(3,095,845)	(5,916,323)	(7,635,436)
<b>Profit before tax and currency adjustments</b>	<b>6,915,142</b>	<b>3,200,270</b>	<b>3,347,739</b>	<b>3,236,675</b>	<b>4,290,451</b>
Gain (Loss) on Foreign Currency	(1,381,439)	2,470,491	(529,741)	(1,313,136)	(2,131,257)
<b>Profit before tax</b>	<b>5,533,703</b>	<b>5,670,761</b>	<b>2,817,998</b>	<b>1,923,539</b>	<b>2,159,194</b>
Tax	-	(4,008,366)	53,192	864,569	(874,079)
<b>Net Profit</b>	<b>5,533,703</b>	<b>1,662,395</b>	<b>2,871,190</b>	<b>2,788,108</b>	<b>1,285,115</b>

#### 8.1.2 Statement of Financial Position

**Table 11: Statement of financial position**

	2007 TZS' 000	RESTATED 2008 TZS' 000	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
<b>NON CURRENT ASSETS</b>					
Property, Plant & Equipment	12,775,072	32,930,172	60,890,481	129,540,276	206,762,850
Quoted investments	1,000	3,000	3,000	3,000	-
Intangible assets (software)	326,215	331,031	225,117	135,127	260,205
Long term receivables	3,762,886	-	-	-	-
	<b>16,865,173</b>	<b>33,264,203</b>	<b>61,118,598</b>	<b>129,678,403</b>	<b>207,023,055</b>
Non-current Assets classified as held for sale					
<b>CURRENT ASSETS</b>					
Inventories	1,816,460	2,993,625	5,673,049	7,545,429	6,974,249
Trade and other receivables	7,537,272	16,734,096	24,546,739	23,966,471	16,856,980
Tax recoverable	9,099	9,099	9,099	-	-
Other Financial Assets	-	5,801,798	10,037,266	1,532,194	5,255
Cash and short term deposits	844,740	894,868	5,020,815	4,817,205	8,857,140

	2007 TZS' 000	RESTATED 2008 TZS' 000	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
	10,207,571	26,433,486	45,286,968	37,861,299	32,693,624
<b>TOTAL ASSETS</b>	<b>27,072,744</b>	<b>59,697,689</b>	<b>106,405,566</b>	<b>167,539,702</b>	<b>239,716,679</b>
<b>EQUITY &amp; LIABILITIES</b>					
Share Capital	2,700,300	2,700,300	2,700,300	2,700,300	2,700,300
Revaluation reserves	786,651	786,651	786,651	4,679,173	8,438,348
Cashflow hedging reserve					(10,180,545)
Retained Earnings	5,899,024	7,540,053	10,411,243	13,199,351	14,484,466
<b>EQUITY</b>	<b>9,385,975</b>	<b>11,027,004</b>	<b>13,898,194</b>	<b>20,578,824</b>	<b>15,442,569</b>
Non-Current Liabilities					
Long Term Loan	3,234,912	23,692,612	40,484,725	89,437,235	155,136,748
Deferred tax liability	972,763	4,981,129	4,927,937	5,478,844	3,600,906
	4,207,675	28,673,741	45,412,662	94,916,079	158,737,654
<b>CURRENT LIABILITIES</b>					
Interest bearing loans and borrowings	2,764,828	7,200,554	9,917,066	16,545,755	29,340,213
Trade and other payables	2,761,138	12,796,390	37,177,644	35,380,395	36,077,594
Tax payable	7,953,128	-	-	118,649	118,649
Total Current Liabilities	13,479,094	19,996,944	47,094,710	52,044,799	65,536,456
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>27,072,744</b>	<b>59,697,689</b>	<b>106,405,566</b>	<b>167,539,702</b>	<b>239,716,679</b>

### 8.1.3 Cashflow

**Table 12: Cashflow**

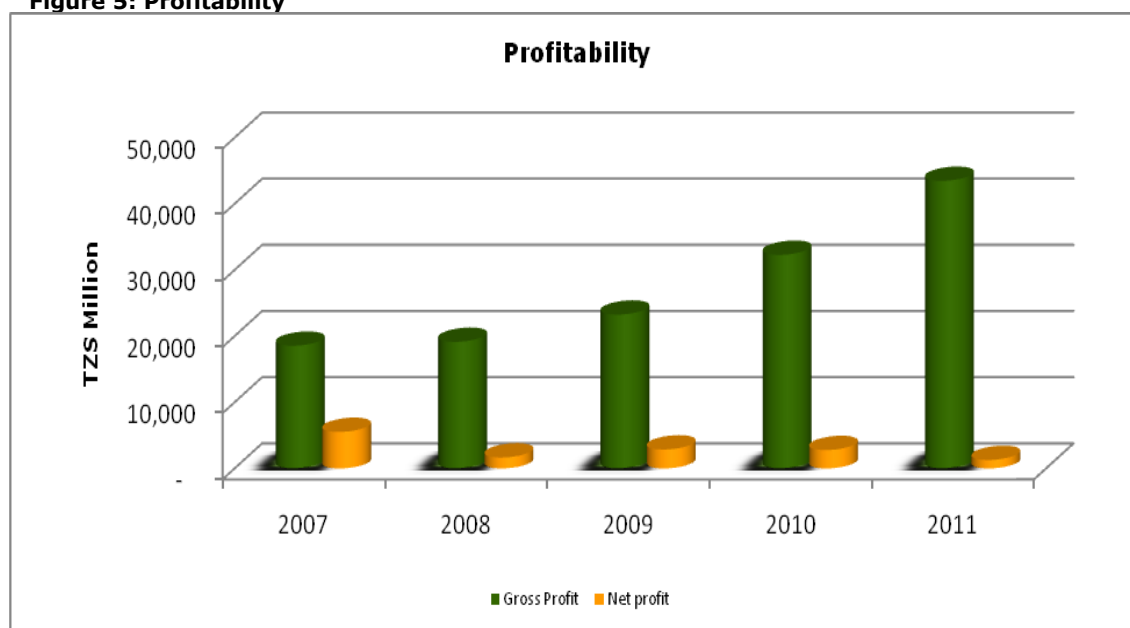
	2007 TZS' 000	RESTATED 2008 TZS' 000	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
<b>Operating activities</b>					
Profit before tax	5,533,704	5,670,760	2,817,998	1,923,539	2,159,194
Non-cash adjustment to reconcile profit before tax to net cash flows	-	-	-	-	-
Unquoted investment	-	-	-	-	-
Depreciation of property and equipment	2,405,602	3,029,551	9,235,307	11,499,837	14,569,237
Loss on sale of property and equipment	(603,790)	78,494	-	-	-
Amortization of intangible assets	64,917	86,109	105,914	109,098	168,439
Interest expense	697,475	597,220	2,903,251	5,677,694	7,186,771
Impairment of assets	-	-	-	-	-
Working capital adjustments:	-	-	-	-	-
Increase in long term receivables	(2,654,475)	-	-	-	-
Movement in cashflow hedge	-	-	-	-	(14,543,635)
Increase in inventories	(285,755)	(1,177,165)	(2,679,424)	(1,872,380)	571,180
Decrease/(increase) in trade and other receivables	(2,990,710)	(9,196,824)	(7,813,944)	580,268	7,109,491
(Decrease)/increase in trade and other payables	3,250,672	4,843,262	24,381,254	(1,797,249)	697,197
Cash generated from operations	5,417,641	3,931,407	28,950,356	16,120,807	17,917,874
Income tax paid	(190,964)	-	-	(125,000)	-

	2007 TZS' 000	RESTATED 2008 TZS' 000	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
<b>Net cash flows from operating activities</b>	<b>5,226,677</b>	<b>3,931,407</b>	<b>28,950,356</b>	<b>15,995,807</b>	<b>17,917,874</b>
<b>Investing activities</b>					
Acquisition of computer soft ware	(53,061)	(84,093)	-	(19,108)	(293,517)
Aircraft security deposit paid	-	(3,225,377)	(6,390,098)	(656,897)	-
Aircraft security deposit refunded	-	1,186,465	2,155,930	9,161,970	1,526,938
Purchase of (un)quoted investment	-	(2,000)	-	-	3,000
Proceeds from disposal property and equipment	4,268,051	760,082	-	-	-
Purchase of property and equipment	(4,371,695)	(24,023,227)	(37,195,616)	(74,588,886)	(86,421,561)
<b>Net cash flows used in investing activities</b>	<b>(156,705)</b>	<b>(25,388,150)</b>	<b>(41,429,784)</b>	<b>(66,102,921)</b>	<b>(85,185,140)</b>
<b>Financing activities</b>					
Proceeds from borrowing	-	23,906,707	23,994,294	63,224,396	84,855,849
Repayment of borrowings	(4,358,715)	(3,612,185)	(4,797,159)	(8,798,342)	(9,043,037)
Interest paid	(506,511)	(597,220)	(2,903,251)	(5,677,696)	(7,186,771)
<b>Net cash flows used financing activities</b>	<b>(4,865,226)</b>	<b>19,697,302</b>	<b>16,293,884</b>	<b>48,748,358</b>	<b>68,626,041</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>204,746</b>	<b>(1,759,441)</b>	<b>3,814,456</b>	<b>(1,358,756)</b>	<b>1,358,775</b>
<b>Cash and cash equivalents at 1 April</b>	<b>(2,121,142)</b>	<b>(1,916,398)</b>	<b>(3,675,839)</b>	<b>138,617</b>	<b>(1,220,139)</b>
<b>Cash and cash equivalents at 31 March</b>	<b>(1,916,396)</b>	<b>(3,675,839)</b>	<b>138,617</b>	<b>(1,220,139)</b>	<b>138,636</b>

## 8.2 GRAPHS

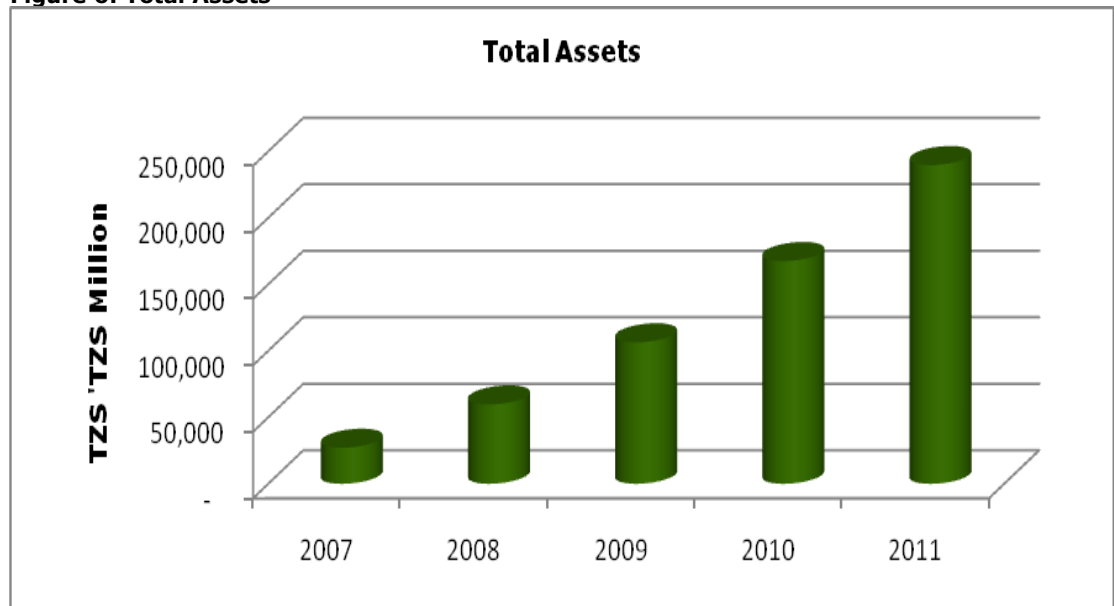
### 8.2.1 Profitability

Figure 5: Profitability



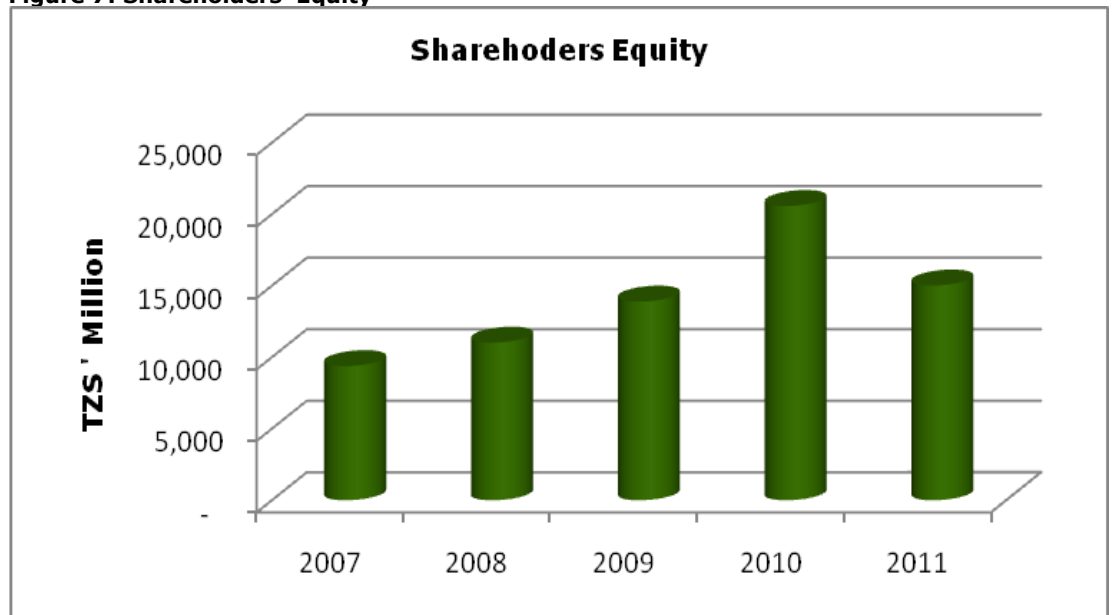
### 8.2.2 Assets

Figure 6: Total Assets



### 8.2.3 Shareholders' Equity

Figure 7: Shareholders' Equity



## 9 RISK FACTORS

An investment in Precision Air Services involves a degree of risk. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in Precision Air Services' shares. If any of the following risks actually occur, Precision Air Services' business, financial condition and results of operations could suffer, the trading price of the shares could decline and you may lose some or all of your investment.

### 9.1 INTERNAL RISK FACTORS

#### 9.1.1 Compliance and legal risk

If for any reason the Company fail to comply adequately with airworthiness requirements, one, some or all of Precision Air Services' aircraft may be grounded by the Tanzania Aviation Authority or Precision Air Services' licence to operate may be suspended, which would adversely affect Precision Air Services' revenues and operations.

The Company has a quality assurance section in technical department and a quality and safety standards Director reporting to the Managing Director and CEO both keeping abreast with regulatory requirements and the Company's adherence to the requirements.

As is also the case in other industries, the airline industry also experiences legal risks arising from the various contractual obligations with third parties which may include other airlines, aircraft lessors, passengers and, service providers. So as to mitigate legal risks the Company has an in-house legal counsel to provide legal advice on day to day events. In addition the Company has a pool of professional law firms to be called upon should the need arise. The legal due diligence report provides details of outstanding legal exposures as at the date of the prospectus.

### 9.2 EXTERNAL RISK FACTORS

#### 9.2.1 Competition

Precision Air Services' position among competitors depends upon effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including pricing strategies by competitors. PAS's ability to develop new profitable routes and profitably increase route frequencies will play an important role in its competitiveness.

Further, Precision air Services' market position will depend upon effective business development initiatives and its ability to anticipate and respond to various factors affecting its industry, including product and service innovations and particular issues important to competition for longer-term charter contracts. Some of Precision Air Services' competitors, may have significantly greater resources than those available to Precision Air Services.

To effectively manage the competition, the Company has a commercial department and network and strategy department whose roles include assessment of current and potential competition and the reaction of Precision Air Services to those competitive factors.

#### 9.2.2 Aircraft and resources utilisation

Precision Air Services success depends in part on Precision Air Services' achievement of high daily aircraft utilisation, on a consistent basis.

One of the key elements of Precision Air Services business strategy is for Precision Air Services to maintain high daily aircraft utilisation. High daily aircraft utilisation gives Precision Air services the capacity to generate more revenue from aircraft. It is achieved in part by reducing turnaround time at airports so that Precision Air Services can fly more hours each day. Aircraft utilisation can be reduced by delays resulting from many factors, most of which are not fully in Precision Air Services control such as security requirements; air traffic and airport congestion; adverse weather conditions; defects or mechanical problems with our aircraft; and acts of third parties upon whom Precision Air Services rely for requirements.

To optimise the aircraft utilisation, the Company makes use of Information Technology (IT) to optimise aircraft utilisation.

### **9.2.3 Management Information System and Technology Reliance risk**

Precision Air Services relies on automated systems to operate, some of its system i.e. internet-based CRS, electronic payment, telecommunication systems, etc. Any disruptions of these systems may adversely affect the Company's operations and financial condition.

The Company maintains system back-ups which could be utilised in cases of systems failure.

### **9.2.4 Fuel Price Fluctuations**

A substantial portion of the Company's total expenditure comprises fuel expenditure. Increases in the fuel price will increase the company's expenses and hence reduce the Company's profitability.

Precision Air Services has contracts to purchase fuel at various locations both locally and abroad thus making use of tankering so as to benefit from low cost fuel.

The Company is also evaluating various fuel hedging options available in a bid to manage fuel costs.

### **9.2.5 Exchange rate fluctuation**

Precision Air Services reports its financial results in Tanzanian Shillings, but a significant portion of the expenses such as fuel, aircraft and engine maintenance services, interest and principal obligations under the terms of its foreign debt and aircraft lease payments are denominated in, or linked to, US dollars. The exchange rate between the TZS and the US dollar has changed substantially in recent years and may fluctuate substantially in future. Precision Air Services expects that it will continue to incur substantial expenses in U.S. dollars, including in respect of aircraft leases and the agreements to purchase additional aircraft in the future.

Precision Air Services makes use of revenue in forex to cater for the forex payments and revenue in local currency to cater for payments in local currency thus minimizing the need to change currency.

Precision Air Services has also set up a cash flow hedge which has effectively hedged a portion of its future dollar denominated sales revenue against future loan repayments thus mitigating the impact of forex fluctuations.

### **9.2.6 Threat to global peace and security including terrorism and war**

Certain events that are beyond the Company's control, including terrorist attacks, and other acts of violence or war (including civil unrest, military activity and hostilities among neighbouring countries) or natural calamity (including epidemics and other events), which may involve Tanzania, or other countries, could adversely affect worldwide financial markets and could lead to economic disruptions.

Precision Air Services in conjunction with Tanzania Airport Authority carries out security checks on all passengers boarding its aircraft. In addition crew are all trained on how to react in the event of a terrorist incident.



## 10 USE OF PROCEEDS

The net proceeds of the offer will accrue to the Company. The Company proposes to use the proceeds on the following areas:

**Table 13: Use of Proceeds**

Description	Amount TZS 000
Ground Handling Equipment	1,750,000
Spare part initial provisioning ATR Fleet	6,500,000
Training (Flight Crew & Engineers)	2,000,000
Investment in Information Systems (Commercial & Maintenance)	1,200,000
Fleet Expansion	11,700,000
New routes opening and development	2,000,000
Working capital enhancement	1,750,000
<b>Total</b>	<b>26,900,000</b>

## 11 LEGAL OPINION



CRB AL/PASP/78/2011

26 August, 2011

Precision Air Services,  
Quality Plaza, Pugu Road,  
P.O. BOX 70770,  
Dar es Salaam,  
Tanzania.

Ladies and Gentlemen,

RE: **LEGAL OPINION IN RESPECT OF AN OFFER FOR SALE OF SHARES OF PRECISION AIR SERVICES PLC TO THE GENERAL PUBLIC AND LISTING OF THE SAID SHARES ON THE DAR ES SALAAM STOCK EXCHANGE**

### 1. The Instructions:

**We, CRB AFRICA LEGAL**, have been engaged as Legal Advisers to advise Precision Air Services (the "Company") in connection with the proposed listing of the Company's shares on the Dar es Salaam Stock Exchange (the "Listing") and the offer for sale to the general public of up to 58,841,750 ordinary shares of the Company (the "Offer") pursuant to the prospectus (the "Prospectus") dated 12 September 2011. As part of our instructions, we are giving this opinion (this "Opinion") after carrying out the necessary due-diligence examination of the Company's records and the law. We are a firm of duly registered advocates practicing law in Tanzania and therefore duly qualified to give this Opinion.

### 2. Interpretation

- (a) Wherever used in this Opinion, unless the context otherwise requires:
- (i) the term "**CMSA**" shall mean the Capital Markets and Securities Authority established under the CMS Act;
  - (ii) the term "**CMS Act**" shall mean the Capital Markets and Securities Act [Cap. 79 R.E. 2002];
  - (iii) the term "**Companies Act**" shall mean the Companies Act. [Cap. 212 R.E. 2002];
  - (iv) the term "**Stock Exchange**" shall mean the Dar es Salaam Stock Exchange (DSE) or any other stock exchange approved under the CMS Act;
  - (v) The term "Articles" shall mean the Articles of Association of the Company.
- (b) Unless otherwise provided, references herein to a specified paragraph shall be construed as a reference to a specified paragraph hereof. In this Opinion, the headings are inserted for convenience of reference only and shall not be used to define, interpret or limit the content hereof;
- (c) Terms and expressions referring to the singular are deemed to include the plural and vice-versa.

### **3. Reviewed Documentation, Procedures and Assumptions.**

3.1 For the purpose of this opinion we have examined the documents mentioned hereunder or copies thereof and such other documents or instruments as we have considered necessary:-

#### **(i) Corporate Status Documents:**

- a certified copy of the Minutes of the Board of Directors of the Company recommending the IPO;
- a certified copy of the special resolution of the Shareholders of the Company dated 6<sup>th</sup> September 2010 approving the amendment of the Memorandum and Articles of Association of the Company to comply with the requirements of the law as regards public companies;
- a certified copy of the special resolution of the shareholders of the Company passed on 11 March 2011 approving the amended Memorandum and Articles of Association of the Company;
- a certified copy of the amended Articles of Association of the Company filed with the Registrar of Companies on 14 April 2011;
- a certified copy of the Company's Certificate of Registration No. 18960 dated 16th January 1991;
- a certified copy of the Company's Certificate of Change of a Name dated 14 April 2011;
- uncertified copies of the Company's Annual Returns for the periods up to 14th May 2007, 14th May 2008 and 14th May 2009;
- the Company's Combined Register of Directors and Members; and
- the official Search Report issued by the Registrar of Companies dated 23rd August, 2010 in respect of the Company.

#### **(ii) Material Agreements:**

- a copy of the Aircraft Sale/Purchase Agreement between Avions de Transport Regional, GIE (ATR) and the Company dated 7th August, 2006.
- a copy of the Option Aircraft Letter Agreement dated 30th January 2007 between Avions de Transport Regional, GIE (ATR) and the Company.
- a copy of the Master Cooperation and Joint Venture Agreement between Kenya Airways Limited (KA) and the Company dated 2nd July, 2008;
- a copy of the Maintenance and Support Agreement between the Company and Avro S.p.A Company (Avio) dated 20 June 2007 and originally for a period up to 20th June 2009.

#### **(iii) Lease Agreements:** We reviewed the following lease agreements to which the Company is a party as a tenant:-

- the lease agreement between Kilimanjaro Airports Development Company Limited and the Company; although this lease agreement has an expiry date of 31st December 2011;
- the lease agreement between Kilimanjaro Native Cooperative Union (1984) Limited and the Company which is valid up to 1st July 2012;
- the 15 years lease agreement between Quality Plaza Limited and the Company which is valid up to 31st March 2015; and
- the lease agreement between National Insurance Corporation Limited and the Company which is valid up to 31st December 2011.

- (iv) **Motor Vehicles Ownership Documents:** We reviewed registration cards for the following motor vehicles:-

**Table 14: Registration of Motor Vehicles**

1	Toyota L/C VX T222 AVF	2	Toyota L/C GX T288 AHC
3	Toyota Corolla T 467AVZ	4	Nissan Urvan T181 AMS
5	Toyota Coaster T156 ANV	6	Toyota Corona T781 ASS
7	Nissan Urvan T157 AUS	8	Toyota Mark II T283 AXC
9	Toyota Coaster T896 ARX	10	Toyota Mark II T799 ANA
11	Toyota Hiace T144 APC	12	Toyota Mark II T819 BCB
13	Toyota Corona T 297 ASS	14	Toyota Vista T347 ATM
15	Toyota L/Cruiser T284 AAP	16	Toyota Harrier T350 BEW
17	Toyota Coaster T113 BWN		

- (v) **Aircraft:** We were availed with 10 certified copies of aircraft registration cards and we were informed that the original registration cards are kept in the aircraft as a requirement of the law. All certificates are valid except for aircraft 5H PAA ATR 42-320 No. 308 which has been grounded due to major maintenance. The details of the aircraft are as indicated in Table 13 in the prospectus.

(vi) **Regulatory and Licensing Documents:-**

- Business Licence Number 00845967 issued by the Ministry of Industry and Trade
- Tax Identification Number (TIN) Registration Certificate No. 100-168-375 issued on 1st July 1999
- Certificate of Incentives No. 07040-01 issued by the Tanzania Investment Centre
- Licence to Operate Air Services (Licence No. 008/2010) which is valid up to 25th June 2012
- Air Operator Certificate No. CAA/AOC/03 which is valid up to 31st December, 2011
- Tax Returns records up to 20th January 2011

(vii) **Insurance Policies –** We reviewed the following insurance policies for the Company:-

- a) Assets All Risks Policy which expires on 1<sup>st</sup> December 2011
- b) Multi Peril Policies which include:-
  - Fidelity Guarantee expires on 1<sup>st</sup> December, 2011
  - Public Liability (expires on 1<sup>st</sup> December, 2011)
  - Employer's Liability expires on 1<sup>st</sup> December, 2011
  - Domestic Package (expires on 1<sup>st</sup> December, 2011)
- c) Group Life Insurance and Funeral Insurance Policy, which is valid up to 18th February, 2012

- d) Reinsurance Certificate by Marsh Limited to the effect that Precision Air Services Limited (as the Insured) and Tanzindia Assurance Company Limited

**(viii) Employment Documents:** We reviewed the following documents:-

- Employment Contracts
- Staff Manual/Scheme of Service
- Employment Taxes and Pension contribution records.

**(ix) Material Loans:** The Company has three material loans from three banks, namely Stanbic Tanzania Limited ("Stanbic"), Kenya Commercial Bank Limited ("KCB") and Citibank International Plc ("Citibank"). These loans will henceforth in this Opinion be referred to as the "Stanbic Loan", the "KCB Loan" and the "Citibank Loan" respectively (together "the Loans") and detailed information on these Loans in terms of amounts borrowed, interest rate, repayment period and outstanding balances is spelt out in the Reporting Accountant's Report in the prospectus.

In respect of the Stanbic Loan the relevant documents reviewed by us were as follows:-

- a) the Facility Letter between Stanbic and the Company under Reference No.SS/MM /PRECISION 2010/02/07 dated 17th February 2010 whereby the Company was offered various credit facilities, together constituting the Stanbic Loan, namely a General Short Term Banking Facility in the form overdraft (USD 3,000,000), a Term Loan (USD 940,000), a Revolving Short Term Loan (USD 1,300,000), a Banking Guarantee Facility (USD 1,300,000), a Letters of Credit Facility (USD 1,000,000) and a Short Term Revolving Loan (USD 700,000).
- b) The Security documents issued by the Company in respect of the Stanbic Loan, namely the Single Debenture dated 2nd April, 2003 creating a first-ranking fixed charge over one of the Company's aircraft (ATR 42-320, Registration No. 5H-PAA for the value of USD 1,424,750), upstamped subsequently to create charges over all other assets of the Company to secure a total of USD 11,000,000.

In respect of the KCB Loan, the relevant documents reviewed by us were as follows:-

- a) The Facility Agreement dated 21st December, 2009 between KCB and the Company whereby the Company was offered the KCB Loan comprised of an Enhanced Overdraft Facility of USD 2,000,000 a Fuel Bill Guarantee of USD 350,000 a Term Loan I Facility of USD 1,441,842 and a Term Loan II Facility of USD 5,794,973.
- b) The Securities issued by the Company in favour of KCB as security for the KCB Loan, namely the Mortgage over the Company's ATR42 aircraft for an amount of USD 9,795,000, a Debenture of the amount of USD 9,795,000 creating a charge over all the floating assets of the Company and a Mortgage over the Company's hanger to be constructed at the Dar es Salaam Airport.

In respect of the Citibank Loan, the relevant documents reviewed by us were the following:-

- a) a copy of the Commitment Letter dated 12th October between the Company and Citibank Tanzania Limited (acting on behalf of Citibank)

whereby Citibank agreed to provide lease financing to the Company in an aggregate amount of USD 112 million to finance the procurement under seven separate Finances Leases of five ATR 72-500 and two ATR 42-500 Aircraft.

- b) a Summary of Indicative Terms and Conditions of the Citibank Loan forming part of the Commitment Letter referred to above, which includes, among other terms, a loan structure under which a special purpose vehicle incorporated in Ireland would be designated as the borrower for purposes of registration of the seven aircraft financed by the Citibank Loan but with the loan proceeds being paid to, received and repayable by the Company.
- c) The Lease Agreement dated 15th February 2008 between the Company and Swala Leasing and Finance Limited ("Swala") as the special purpose vehicle contemplated under terms and conditions of the Citibank Loan.

**Our key findings in respect the Material Loans are as follows:-**

- a) the legal documents for the Loans represent good and enforceable borrowing transactions and they clearly define the contractual relationship between the Company as a borrower and each of Stanbic, KCB and Citibank as a lender. We did not find any of the terms and conditions materially burdensome to the Company or prejudicial to the interests of existing or potential investors in the Company (save in respect of the matters referred to in paragraph (b) hereinafter).
- b) the securities issued by the Company in favour of Stanbic and KCB and duly perfected through registration at the Registry of Companies contain negative covenants on the part of the Company in respect of "change in ownership or control of the Company" and "payment of dividends to shareholders", both of which actions are subjected to prior written consent of the lenders. To the extent that the listing of the Company will entail a sale and transfer for at least one third of the issued share capital of the Company, prior written consents of KCB and Stanbic have been sought and obtained by the Company.
- c) the appearance of the name of Swala on Registration Certificates for some of the Company's aircrafts does not vest absolute ownership of such aircraft in Swala, and the Company, as borrower of the Citibank Loan, is the ultimate beneficial owner of all aircraft registered as such.

**(x) Material Litigation :**

We were shown copies of court files relating to matters in court in which the Company is a party as such records are kept by the Company Secretary. A summary of litigation cases and other claims which were considered to have some impact on the Company is given here below. A majority of cases omitted from the schedule are criminal cases against former employees of the Company in which the Company is just a complainant and the rest are insignificant civil suits by or against the Company with no material implications that would impact on the Company's financial standing.

**a) Moshi District Court [Civil Case No. 4/2007]**

Pastory Timira Vs. Precision Air Services Limited & Kenya Airways Limited (KA).

This is a suit against the Company and KA by a passenger claiming damages to the tune of over TZS 80 million as damages for loss of luggage on the Hong Kong-Nairobi-Kilimanjaro route. We have not been able to review the claim and defence documents, but we are of the opinion that even in the worst case scenario in which the claimant would get judgement in his favour for the entire claim, the Company's financial exposure would be half of the claim (about TZS 40 million) which we consider not materially prejudicial to the viability of the Company.

**b) Labour Dispute [No. 49/2008]. Kato Samwel Kilungu & 20 Others Vs the Company**

In this case three ex-employees of the Company are claiming a total of over TZS 200 million (approximately USD 150,000) as overtime allowance. We have seen the particulars of the claim and the Company's defence. In our Opinion the claim will not succeed.

- 3.2 In expressing this Opinion, we have examined and relied on the originals or copies (as the case may be) of the documents mentioned in paragraph 3.1 above and we have assumed that:-
- 3.2.1 all the signatures on all the documents reviewed by us are genuine;
  - 3.2.2 all the documents submitted to us as original are true and complete;
  - 3.2.3 all the documents submitted to us copies are true and complete copies of the originals thereof;
  - 3.2.4 each natural person signing any document reviewed by us had the legal capacity to do so;
  - 3.2.5 each natural person signing any document reviewed by us in a representative capacity had authority to sign in such capacity;
  - 3.2.6 the investment opportunities will not change in the near future; and
  - 3.2.7 the Offer and the Listing will not change the operations of the Company.

**4 Opinion**

Based upon and subject to: (1) the foregoing, (2) paragraph 4.2 of this Opinion, (3) any matters set out in this prospectus, and (4) any matters not made known to us, we are of the considered opinion that:

- a) the Company, initially incorporated as a private limited liability company, is a public company, having duly complied with the provisions of the Companies Act in relation to converting a private company into a public company, it has powers to execute, deliver and exercise its rights and perform its obligations pursuant to the Offer and the Listing, and that such execution and performance have been duly authorized by appropriate corporate action;
- b) the rights and obligations of the Company contemplated by the constitute valid and binding rights and obligations enforceable in accordance with the term thereof;
- c) the Offer and the Listing have been duly and validly authorized by the Company and no other corporate action on the part of the Company is necessary to authorize the Offer and the Listing;

- d) the execution and consummation of the Offer and the Listing contemplated by the Company do not conflict with, and shall not result in the breach of any applicable law, rule or regulation or any agreement or obligation to which the Company is a party or bound by, which would individually or in the aggregate impair the validity of the Offer and the Listing or have material adverse effect on the ability of the Company to perform its obligations after the Offer and Listing;
- e) The Offer and the Listing are in compliance with the CMS Act and all other laws relevant and enforceable in Tanzania at the time of giving this Opinion;
- f) In consideration of the Dar es Salaam Stock Exchange granting the Company's application for the listing of securities, the Company will execute a letter of undertaking (the "Undertaking") to comply with the continuing obligations of listing on the DSE as set out in the DSE Blueprint;
- g) According to the amended Articles of Association of the Company, and the Company being a public company, the right to transfer shares and issuance of share certificate is not restricted and after Listing the Company shall be further regulated by the DSE Rules;
- h) The authorised share capital of the Company as on the date of this Opinion is TZS 4,840,000,000 divided into 242,000,000 ordinary shares of TZS 20 each;
- i) all authorizations, approvals, consents, licenses, exemptions, filings or registrations of/ or with any governmental or public bodies or authorities of/ or in Tanzania required in connection with the business of the Company have been obtained, are in proper form, and are in full force and effect;
- j) Save for approval of secured lenders to declare and pay out dividends, all other authorizations, approvals, consents, licenses, exemptions, filings or registrations of/ or with any governmental or public bodies or authorities of/ or in Tanzania required in connection with the business of the Company have been obtained, are in proper form, and are in full force and effect;
- k) all authorizations and approvals by, CMSA and the Stock Exchange required for the Offer and the Listing under the respective laws have been obtained;
- l) the Company has no title to any land but has entered into the leases referred to in paragraph 3.1(iii) hereinabove;
- m) Save as disclosed below, there is no significant litigation, arbitration, prosecution or other civil or criminal legal action whatsoever in which the Company is involved that is taking place, pending or threatened that may adversely affect the Company in the Offer and the Listing. The Company is a party to various legal proceedings the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the Company or the results of its operations;
- n) No winding-up order has been issued against the Company and no receiver manager or liquidator has been appointed in respect of the Company;
- o) In our opinion, the winding up proceedings are not likely to result in a winding up order being given against the Company and, in the worst



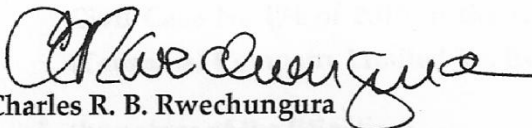
scenario of the winding up order being given, the Company has the ability to pay the claimed amount; and

- p) Save as disclosed in the prospectus, there is no other agreement or arrangement concerning the Offer and the Listing.

**5 Conclusion**

This opinion is given only according to the laws of Tanzania in force at the date hereof and we do not express any opinion in respect of any other jurisdiction.

Yours sincerely,



Charles R. B. Rwechungura  
Managing Partner

**Table 15: Schedule of Aircraft Ownership Details**

<b>S/N</b>	<b>REGISTRATION MARKS</b>	<b>TYPE OF AIRCRAFT</b>	<b>AIRCRAFT SERIAL NUMBER</b>	<b>OWNER</b>	<b>OPERATOR</b>	<b>DATE OF REGISTRATION</b>	<b>REGISTRATION CERTIFICATE NUMBER</b>	<b>CERTIFICATE OF AIR WORTHINESS EXPIRY DATE</b>
1.	5H PWB	ATR 72-500	834	SWALA	PRECISION AIR	7 <sup>th</sup> NOVEMBER 2008	638	06.11.2011
2.	5H PAA	ATR 42-320	308	PRECISION AIR	PRECISION AIR	28 <sup>th</sup> JULY, 2003	433-A	EXPIRED (NOT RENEWED AS IT IS CURRENTLY GROUNDED FOR MAJOR MAINTENANCE)
3.	5H PWE	ATR 42-500	MSN 815	SWALA	PRECISION AIR	26 <sup>th</sup> FEB. 2010	699	25.04.2012
4.	5H PWC	ATR 72-500	MSN 866	SWALA	PRECISION AIR	28 <sup>th</sup> APRIL 2009	676	27.04.2012
5.	5H-PAG	ATR 42-320	384	PRECISION AIR	PRECISION AIR	18 <sup>th</sup> FEB. 2009	478 A	25.12.2011
6.	5H- PWD	ATR 72-500	MSN 880	SWALA	PRECISION AIR	20 <sup>th</sup> JULY 2009	682	19.07.2012
7.	5H-PWA	ATR 72-500	780	SWALA	PRECISION AIR	29 <sup>th</sup> FEB. 2008	637	27.03.2012
8.	5H-PAZ	B-737-300	24770	AIRPLANES FINANCE LIMITED	PRECISION AIR	15 <sup>th</sup> APRIL 2008	633	14.04.2012
9.	5H-PWF	ATR-42-500	MSN-819	SWALA	PRECISION	25 <sup>th</sup> AUGUST 2010	715	25.08.2011
10.	5H-PWG	ATR- 72-500	923	SWALA	PRECISION	16 <sup>th</sup> SEPTEMBER 2010	722	15.09.2011
11.	5H-PMS	B-737-300	28596	BBAM	PRECISION	25 <sup>th</sup> AUGUST 2011	723	28.08.2012

The relationship between Precision Air services and Swala Leasing is that Swala Leasing is used as a Special Purpose Vehicle to temporarily retain title to the Aircraft so as to secure the new aircraft financing. The title of the aircraft as maintained by Tanzania Civil Aviation Authority will be returned to precision Air Services on completion of the repayments for the aircraft financing. However the risks and benefits related to the aircraft all moved to Precision Air Services on signing of the Aircraft bill of Sale between Precision Air Services and ATR thus all aircraft are accounted for on Precision Air financial statements.



30 August 2011

The Directors  
Precision Air Services Plc  
Quality Plaza  
Nyerere Road  
P. O. Box 70770  
Dar es Salaam  
Tanzania.

Dear Sirs

**REPORTING ACCOUNTANT'S REPORT ON PRECISION AIR SERVICES Plc**

We are pleased to submit our Accountant's Report in accordance with the requirements of the Capital Markets and Securities (Prospectus Requirements) Regulations, 1997 (hereafter referred to as "the Regulations").

**RESPONSIBILITY**

As directors of Precision Air Services Plc ("Company"), you are responsible for the Information Memorandum, and for all information contained therein, and for the financial statements and information to which this Accountant's Report relates and from which it has been prepared.

It is our responsibility to form an opinion on the financial information set out on page 50 to 90 in the Information Memorandum and to report our opinion to you.

**FINANCIAL INFORMATION**

The information required to be disclosed in the Information Memorandum by these regulations is set out on page 50 to 90, which includes the restated audited financial statements for the year ended 31 March 2009 and 31 March 2010 and consolidated audited financial statements for the year ended 31 March 2011 of Precision Air Services Plc (formerly "Precision Air Services Limited"), and these form an integral part of this report. We have made enquiries of management about the operations of the company and its accounting principles and practices, and have applied that knowledge in carrying out review procedures on the financial statements, the results of which are reported below.

Restated audited financial statements for the years ended 31 March 2009 and 31 March 2010 and consolidated audited financial statement for the year ended 31 March 2011 on pages 50 to 90 received an unqualified audit opinion.

Ernst & Young are the auditors of Precision Air Services Plc (formerly "Precision Air Services Limited") for the three years ended 31 March 2011. We have not audited the financial statements set out on pages 50 to 90, and accordingly express no assurance thereon.

**REVIEW PROCEDURES**

We have conducted a review of the restated audited financial statements for the year ended 31 March 2009 and year ended 31 March 2010 and consolidated audited financial statements for the year ended 31 March 2011 of Precision Air Services Plc (formerly "Precision Air Services Limited"). We conducted our review in accordance with the International Standard on Review Engagements 2400, Engagements to Review Financial Statements ("ISRE 2400"). The objective of the review engagement is to enable us to state whether, on the basis of procedures which do not provide all the evidence that would

be required in an audit, anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards. This Standard requires that we plan and perform the review with an attitude of professional scepticism, and obtain sufficient evidence primarily through enquiry and analytical procedures to be able to draw conclusions.

Our review procedures were limited primarily to inquiries directed to Precision Air Services Plc (formerly "Precision Air Services Limited") management and the Company's auditors that we considered necessary.

A review carried out in accordance with ISRE 2400 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, except for the effects of revaluation gain on aircrafts recognised in the year ended 31 March 2010 described in the statement of adjustments on pages 50 to 55, nothing has come to our attention that causes us to believe that the restated audited financial statements for the year ended 31 March 2009 and year ended 31 March 2010 and consolidated audited financial statements for the year ended 31 March 2011 of Precision Air Services Plc (formerly "Precision Air Services Limited") do not give a true and fair view in accordance with International Financial Reporting Standards.

#### CONSENT

We consent to the inclusion of this report in the Precision Air Services Plc Information Memorandum dated 12 September 2011 in the form and context in which it appears.

Yours faithfully,

*PKF Tanzania*

PKF Tanzania  
Certified Public Accountants  
Dar es Salaam.

**Physical Address**

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0684 444 254

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Table 16: Statement of Other Comprehensive Income - 2011

PRECISION AIR SERVICES LIMITED STATEMENT OF ADJUSTMENTS YEAR ENDED 31 MARCH 2011				
STATEMENT OF OTHER COMPREHENSIVE INCOME				
	Company <i>As reported</i> TZS '000	Company <i>Adjustment</i> TZS '000	Company <i>Restated</i> TZS '000	Group <i>Restated</i> TZS '000
Profit for the year	1,285,115	-	1,285,115	862,546
<b>Other comprehensive income</b>				
Revaluation of aircraft	5,370,250	5,560,746	10,930,996	10,930,996
Income tax effect	(1,611,075)	(1,668,224)	(3,279,299)	(3,279,299)
	<b>3,759,175</b>	<b>3,892,522</b>	<b>7,651,697</b>	<b>7,651,697</b>
Net movement on cash flow hedges	(14,543,635)	-	(14,543,635)	(14,543,635)
Income tax effect	4,363,091	-	4,363,091	4,363,091
	<b>(10,180,544)</b>	<b>-</b>	<b>(10,180,544)</b>	<b>(10,180,544)</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>(6,421,369)</b>	<b>3,892,522</b>	<b>(2,528,847)</b>	<b>(2,528,847)</b>
<b>Total comprehensive loss for the year, net of tax</b>	<b>(5,136,254)</b>	<b>3,892,522</b>	<b>(1,243,732)</b>	<b>(1,666,301)</b>

Table 17: Statement of Financial Position – March 2011

STATEMENT OF FINANCIAL POSITION				
	Company <i>As reported</i> TZS '000	Company <i>Adjustment</i> TZS '000	Company <i>Restated</i> TZS '000	Group <i>Restated</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	206,762,850	-	206,762,850	208,534,265
Quoted investment	-	-	-	-
Intangible assets	260,205	-	260,205	260,205
	<b>207,023,055</b>	<b>-</b>	<b>207,023,055</b>	<b>208,794,470</b>
<b>Current assets</b>	<b>32,693,624</b>	<b>-</b>	<b>32,693,624</b>	<b>31,536,290</b>
<b>TOTAL ASSETS</b>	<b>239,716,679</b>	<b>-</b>	<b>239,716,679</b>	<b>240,330,760</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued share capital	2,700,300	-	2,700,300	2,700,300
Revaluation Reserve	8,438,348	-	8,438,348	8,438,348
Cashflow hedging reserve	(10,180,545)	-	(10,180,545)	(10,180,545)
Retained earnings	14,484,466	-	14,484,466	14,061,897
	<b>15,442,569</b>	<b>-</b>	<b>15,442,569</b>	<b>15,020,000</b>
<b>Non-current liabilities</b>				
Interest bearing loans	155,136,748	-	155,136,748	155,136,749
Deferred tax liability	3,600,906	-	3,600,906	3,419,806
	<b>158,737,654</b>	<b>-</b>	<b>158,737,654</b>	<b>158,556,555</b>
<b>Current liabilities</b>				
Interest bearing loans	29,340,213	-	29,340,213	30,557,963
Trade and other payables	36,077,594	-	36,077,594	36,077,593
Tax payable	118,649	-	118,649	118,649
	<b>65,536,456</b>	<b>-</b>	<b>65,536,456</b>	<b>66,754,205</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>239,716,679</b>	<b>-</b>	<b>239,716,679</b>	<b>240,330,760</b>

Table 18: Statement of Changes in Equity - 2011

STATEMENT OF CHANGES IN EQUITY (Restated)					
GROUP	Issued Capital	Revaluation Reserve	Cashflow hedging reserve	Retained Earnings	Total Equity
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 April 2010	2,700,300	786,651	-	13,199,351	13,898,194
Profit for the year	-	-	-	862,546	862,546
Other comprehensive income	-	7,651,697	(10,180,545)	-	(2,528,848)
<b>Total comprehensive income</b>	-	7,651,697	(10,180,545)	862,546	(1,666,302)
<b>At 31 March 2011</b>	<b>2,700,300</b>	<b>8,438,348</b>	<b>(10,180,545)</b>	<b>14,061,897</b>	<b>15,020,000</b>
COMPANY	Issued Capital	Revaluation Reserve	Cashflow hedging reserve	Retained Earnings	Total Equity
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 April 2010	2,700,300	786,651	-	13,199,351	16,686,302
Profit for the year	-	-	-	1,285,115	1,285,115
Other comprehensive income	-	7,651,697	(10,180,545)	-	(2,528,848)
<b>Total comprehensive income</b>	-	7,651,697	(10,180,545)	1,285,115	(1,243,733)
<b>At 31 March 2011</b>	<b>2,700,300</b>	<b>8,438,348</b>	<b>(10,180,545)</b>	<b>14,484,466</b>	<b>15,442,569</b>
Property and Equipment (GROUP)			<i>As reported</i>	<i>Adjustment</i>	<i>Restated</i>
			TZS '000	TZS '000	TZS '000
<b>Cost or Valuation</b>					
At 1 April 2010			159,746,364	-	159,746,364
Additions			88,395,201	-	88,395,201
Revaluations			5,370,250	-	5,370,250
At 31 March 2010			<b>253,511,815</b>	-	<b>253,511,815</b>
<b>Depreciation and impairment</b>					
At 1 April 2010			30,206,088	-	30,206,088
Charge for the year			14,771,461	-	14,771,461
At 31 March 210			<b>44,977,549</b>	-	<b>44,977,549</b>
<b>Net book value</b>					
At 31 March 2010			<b>208,534,266</b>	-	<b>208,534,266</b>

**Table 19: Deferred Tax – March 2011**

<b>Deferred Tax (GROUP)</b>	<b>As reported TZS '000</b>	<b>Adjustment TZS '000</b>	<b>Restated TZS '000</b>
<u>Deferred tax liability</u>			
Accelreated depreciation	133,834,557	-	133,834,557
Revaluation surplus	10,930,996	-	10,930,996
	<u>144,765,553</u>	<u>-</u>	<u>144,765,553</u>
Deferred tax liability thereon at 30%	43,429,666	-	43,429,666
<u>Deferred tax asset</u>			
Differences	(133,366,201)	-	(133,366,201)
Deferred tax asset thereon at 30%	(40,009,860)	-	(40,009,860)
Net deferred tax liability	3,419,806	-	3,419,806
Less: Opening net deferred tax liability	5,478,844	(1,668,224)	3,810,620
Deferred tax (release)/charge	<b>(2,059,038)</b>	<b>1,668,224</b>	<b>(390,814)</b>
Charge to:			
Income statement	692,978	-	692,978
Equity	(2,752,016)	1,668,224	(1,083,792)
	<b>(2,059,038)</b>	<b>1,668,224</b>	<b>(390,814)</b>

Table 20: Statement of Adjustments – March 2010

**PRECISION AIR SERVICES LIMITED  
STATEMENT OF ADJUSTMENTS  
YEAR ENDED 31 MARCH 2010**

The Company's restated audited financial statements for the year ended 31 March 2010 includes revaluation gain on aircrafts of TZS 5,560,746 (In 000s). Based on our review, we observed that value of the Aircraft components under Note 15 on property and equipment, which are an integral component of the aircrafts revalued, were not considered in computation of revaluation results. Had the same been considered, the total comprehensive income and shareholder equity would have been lower by TZS 3,892,522 (000s), net of tax.

**STATEMENT OF OTHER COMPREHENSIVE INCOME**

	<i>As reported</i> TZS '000	<i>Adjustment</i> TZS '000	<i>Restated</i> TZS '000
Profit for the year	2,788,108	-	2,788,108
<b>Other comprehensive income</b>			
Revaluation of aircraft	5,560,746	(5,560,746)	-
Income tax effect	(1,668,224)	1,668,224	-
	<u>3,892,522</u>	<u>(3,892,522)</u>	<u>-</u>
Net movement on cash flow hedges	-	-	-
Income tax effect	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>3,892,522</u>	<u>(3,892,522)</u>	<u>-</u>
<b>Total comprehensive income for the year, net of tax</b>	<u><u>6,680,630</u></u>	<u><u>(3,892,522)</u></u>	<u><u>2,788,108</u></u>



Table 21: Statement of Financial Position – March 2010

**STATEMENT OF FINANCIAL POSITION**

	<i>As reported</i> TZS '000	<i>Adjustment</i> TZS '000	<i>Restated</i> TZS '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	129,540,276	(5,560,746)	123,979,530
Quoted investment	3,000	-	3,000
Intangible assets	135,127	-	135,127
	<u>129,678,403</u>	<u>(5,560,746)</u>	<u>124,117,657</u>
<b>Current assets</b>	<u>37,861,299</u>	<u>-</u>	<u>37,861,299</u>
<b>TOTAL ASSETS</b>	<u><b>167,539,702</b></u>	<u><b>(5,560,746)</b></u>	<u><b>161,978,956</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued share capital	2,700,300	-	2,700,300
Revaluation Reserve	4,679,173	(3,892,522)	786,651
Retained earnings	13,199,351	-	13,199,351
	<u>20,578,824</u>	<u>(3,892,522)</u>	<u>16,686,302</u>
<b>Non-current liabilities</b>			
Interest bearing loans	89,437,235	-	89,437,235
Deferred tax liability	5,478,844	(1,668,224)	3,810,620
	<u>94,916,079</u>	<u>(1,668,224)</u>	<u>93,247,855</u>
<b>Current liabilities</b>			
Interest bearing loans	16,545,755	-	16,545,755
Trade and other payables	35,380,395	-	35,380,395
Tax payable	118,649	-	118,649
	<u>52,044,799</u>	<u>-</u>	<u>52,044,799</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>167,539,702</b></u>	<u><b>(5,560,746)</b></u>	<u><b>161,978,956</b></u>

Table 22: Statement of Changes in Equity – March 2010

**STATEMENT OF CHANGES IN EQUITY (Restated)**

	Issued Capital TZS '000	Revaluation Reserve TZS '000	Cashflow hedging reserve TZS '000	Retained Earnings TZS '000	Total Equity TZS '000
At 1 April 2009	2,700,300	786,651	-	10,411,243	13,898,194
Profit for the year	-	-	-	2,788,108	2,788,108
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,788,108</b>	<b>2,788,108</b>
<b>At 31 March 2010</b>	<u><b>2,700,300</b></u>	<u><b>786,651</b></u>	<u><b>-</b></u>	<u><b>13,199,351</b></u>	<u><b>16,686,302</b></u>

Table 23: Property and Equipment – March 2010

**Property and Equipment**

	<i>As reported</i> TZS '000	<i>Adjustment</i> TZS '000	<i>Restated</i> TZS '000
<b><u>Cost or Valuation</u></b>			
At 1 April 2009	79,596,732	-	79,596,732
Revaluations	5,560,746	(5,560,746)	-
Additions	74,588,886	-	74,588,886
At 31 March 2010	<b>159,746,364</b>	<b>(5,560,746)</b>	<b>154,185,618</b>
<b><u>Depreciation and impairment</u></b>			
At 1 April 2009	18,706,251	-	18,706,251
Charge for the year	11,499,837	-	11,499,837
At 31 March 2010	<b>30,206,088</b>	<b>-</b>	<b>30,206,088</b>
<b><u>Net book value</u></b>			
At 31 March 2010	<b>129,540,276</b>	<b>(5,560,746)</b>	<b>123,979,530</b>

Table 24: Deferred Tax – March 2010

<b>Deferred Tax</b>	<i>As reported</i> TZS '000	<i>Adjustment</i> TZS '000	<i>Restated</i> TZS '000
<b><u>Deferred tax liability</u></b>			
Accreates depreciation	74,673,808	-	74,673,808
Revaluation surplus	5,560,746	(5,560,746)	-
	<u>80,234,554</u>	<u>(5,560,746)</u>	<u>74,673,808</u>
Deferred tax liability thereon at 30%	<u>24,070,366</u>	<u>(1,668,224)</u>	<u>22,402,142</u>
<b><u>Deferred tax asset</u></b>			
Differences	<u>(61,971,742)</u>	<u>-</u>	<u>(61,971,742)</u>
Deferred tax asset thereon at 30%	<u>(18,591,523)</u>	<u>-</u>	<u>(18,591,523)</u>
Net deferred tax liability	5,478,844	(1,668,224)	3,810,620
Less: Opening net deferred tax liability	4,927,937	-	4,927,937
Deferred tax (release)/charge	<b>550,907</b>	<b>(1,668,224)</b>	<b>(1,117,317)</b>
<b>Charge to:</b>			
Income statement	(1,117,317)	-	(1,117,317)
Equity	1,668,224	(1,668,224)	-
	<b>550,907</b>	<b>(1,668,224)</b>	<b>(1,117,317)</b>

## Financial Information<sup>2</sup>

### Income Statement

Tabulated below are the summary results of Precision Air Services Limited for the three financial years ended 31 March 2009, 31 March 2010, and 31 March 2011. The results of years 2009 and 2010 have been extracted from the Restated audited financial statements for each of those years.

**Table 25: Income statement**

	Note	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Revenue	7	84,344,352	92,493,357	113,605,908
Cost of Sales	8	(61,076,770)	(60,190,813)	(70,121,988)
Gross Profit		23,267,582	32,302,544	43,483,920
<b>Other Income</b>	<b>9</b>	<b>194,486</b>	<b>185,121</b>	<b>405,440</b>
Marketing Costs	10	(671,565)	(654,173)	(1,164,090)
Impairment	19	(466,060)	(103)	(30,881)
Administrative costs	11	(15,880,859)	(22,680,391)	(30,768,502)
<b>Operating profit</b>		<b>6,443,584</b>	<b>9,152,998</b>	<b>11,925,887</b>
Finance Costs	12	(3,095,845)	(5,916,323)	(7,635,436)
Profit before tax and currency adjustments		3,347,739	3,236,675	4,290,451
Gain (Loss) on Foreign Currency	13	(529,741)	(1,313,136)	(2,131,257)
<b>Profit before tax</b>		<b>2,817,998</b>	<b>1,923,539</b>	<b>2,159,194</b>
Income tax credit/(expense)	21	53,192	864,569	(874,079)
<b>Net Profit</b>		<b>2,871,190</b>	<b>2,788,108</b>	<b>1,285,115</b>

<sup>2</sup> We draw to your attention that restated financial accounts for 2009 and 2010 were prepared in January 2011. As such documents from other sources showing information for those periods may be based on the original accounts.

## Financial Information

### Balance Sheet

Tabulated below are the balance sheets of Precision Air Services Limited for three financial years ended 31 March 2009, 31 March 2010 and 31 March 2011. The information for years 2009 and 2010 has been extracted from the Restated audited financial statements for each of those years.

**Table 26: Balance sheet**

		RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
<b>NON CURRENT ASSETS</b>				
Property, Plant & Equipment	15	60,890,481	129,540,276	207,023,055
Quoted investments	14	3,000	3,000	-
Intangible assets (software)	16	225,117	135,127	260,205
		<b>61,118,598</b>	<b>129,678,403</b>	<b>207,023,055</b>
<b>CURRENT ASSETS</b>				
Inventories	17	5,673,049	7,545,429	6,974,249
Trade and other receivables	19	24,546,739	23,966,471	16,856,980
Tax recoverable	21	9,099	-	-
Other Financial Assets	18	10,037,266	1,532,194	5,255
Cash and short term deposits	20	5,020,815	4,817,205	8,857,140
		<b>45,286,968</b>	<b>37,861,299</b>	<b>32,693,624</b>
<b>TOTAL ASSETS</b>		<b>106,405,566</b>	<b>167,539,702</b>	<b>239,716,679</b>
<b>EQUITY &amp; LIABILITIES</b>				
Share Capital	22	2,700,300	2,700,300	2,700,300
Revaluation Reserves	22	786,651	4,679,173	8,438,348
Cashflow Hedging Reserve		-	-	(10,180,545)
Retained Earnings		10,411,243	13,199,351	14,484,466
<b>EQUITY</b>		<b>13,898,194</b>	<b>20,578,824</b>	<b>15,442,569</b>
<b>Non-Current Liabilities</b>				
Interest bearing loans and borrowings		40,484,725	89,437,235	155,136,748
Deferred tax liability		4,927,937	5,478,844	3,600,906
		<b>45,412,662</b>	<b>94,916,079</b>	<b>158,737,654</b>
<b>CURRENT LIABILITIES</b>				
Interest bearing loans and borrowings		9,917,066	16,545,755	29,340,213
Trade and other payables		37,177,644	35,380,395	36,077,594
Tax payable		-	118,649	118,649
<b>Total Current Liabilities</b>		<b>47,094,710</b>	<b>52,044,799</b>	<b>65,536,456</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>106,405,566</b>	<b>167,539,702</b>	<b>239,716,679</b>

## Financial Information

### Statement of Changes of Equity

Tabulated below are statements of changes in equity of Precision Air Service Limited for the three financial years ended 31 March 2009, 31 March 2010 and 31 March 2011. The information for the years 2009 and 2010 has been extracted from the Restated Audited financial statements for each of those years.

**Table 27: Statement of changes of Equity**

	Issued Capital TZS'000	Revaluation Reserve TZS '000	Cash flow Hedging Reserve TZS '000	Retained Earnings	Total Equity
At 1 April 2008	2,700,300	786,651	-	7,540,053	11,027,004
Profit for the year				2,871,190	2,871,190
Other comprehensive income					-
At 31 March 2009	2,700,300	786,651	-	10,411,243	13,898,194
At 1 April 2009	2,700,300	786,651	-	10,411,243	13,898,194
Profit for the year				2,788,108	2,788,108
Other comprehensive income		3,892,522			3,892,522
At 31 March 2010	2,700,300	4,679,173	-	13,199,351	20,578,824
At 1 April 2010	2,700,300	4,679,173	-	13,199,351	20,578,824
Profit for the year				1,285,115	1,285,115
Other comprehensive income		3,759,175	(10,180,545)		(6,421,370)
At 31 March 2011	2,700,300	8,438,348	(10,180,545)	14,484,466	15,442,570

## Financial Information

### Cashflow Statement

Tabulated below are the cash flows of Precision Air Services Limited for three financial years ended 31 March 2009, 31 March 2010 and 31 March 2011. The information for years 2009 and 2010 has been extracted from the Restated Audited Financial Statements for each of those years.

**Table 28: Cashflow statement**

	Note	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
<b>Operating activities</b>				
Profit before tax		2,817,998	1,923,539	2,159,194
Non-cash adjustment to reconcile profit before tax to net cash flows				
Depreciation of property and equipment	15	9,235,307	11,499,837	14,569,237
Loss on sale of property and equipment		-	-	-
Amortization of intangible assets	16	105,914	109,098	168,439
Interest expense		2,903,251	5,677,694	7,186,771
Movement of cashflow hedge		-	-	(14,543,635)
Increase in inventories		(2,679,424)	(1,872,380)	571,180
Decrease/(increase) in trade and other receivables		(7,813,944)	580,268	7,109,491
(Decrease)/increase in trade and other payables		24,381,254	(1,797,249)	697,197
<b>Cash generated from operations</b>		<b>28,950,356</b>	<b>16,120,807</b>	<b>17,917,874</b>
Income tax paid		-	(125,000)	-
<b>Net cash flows from operating activities</b>		<b>28,950,356</b>	<b>15,995,807</b>	<b>17,917,874</b>
<b>Investing activities</b>				
Acquisition of computer soft ware	16	-	(19,108)	(293,517)
Aircraft security deposit paid		(6,390,098)	(656,897)	-
Aircraft security deposit refunded		2,155,930	9,161,970	1,526,938
Sale of quoted investment		-	-	3,000
Proceeds from disposal property and equipment		-	-	-
Purchase of property and equipment	15	(37,195,616)	(74,588,886)	(86,421,561)
<b>Net cash flows used in investing activities</b>		<b>(41,429,784)</b>	<b>(66,102,921)</b>	<b>(85,185,140)</b>
<b>Financing activities</b>				
Proceeds from borrowing		23,994,294	63,224,396	84,855,849
Repayment of borrowings		(4,797,159)	(8,798,342)	(9,043,037)
Interest paid		(2,903,251)	(5,677,696)	(7,186,771)
<b>Net cash flows used financing activities</b>		<b>16,293,884</b>	<b>48,748,358</b>	<b>68,626,041</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,814,456</b>	<b>(1,358,756)</b>	<b>1,358,775</b>
<b>Cash and cash equivalents at 1 April</b>		<b>(3,675,839)</b>	<b>138,617</b>	<b>(1,220,139)</b>
<b>Cash and cash equivalents at 31 March</b>	<b>20</b>	<b>138,617</b>	<b>(1,220,139)</b>	<b>138,636</b>

## **Financial Information**

### **Notes**

#### **1. COMPANY INFORMATION**

##### **Incorporation**

Precision Air Services Limited ("the Company") and its subsidiary, Precision Handling Limited (together, "the Group") are incorporated in Tanzania under the Tanzanian Companies Act, 2002.

##### **Activities**

The principal activities of the Company are regional and domestic carriage of passengers and cargo by air while that of the Subsidiary is provisioning of ground handling services.

#### **2. BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for financial instruments, available-for-sale investments, aircrafts, furniture, office equipments and computers that have been measured at fair value or revaluation.

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

Whereas the financial statements of the Company relates to the state of affairs for the period of twelve (12) months to 31 March 2011, those of the subsidiary forming part of the "Group" consolidated financial statements relate to only seven (7) months of operations since the Subsidiary commenced operations in September 2010.

##### **Statement of compliance**

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

#### **3. BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of Precision Air Services Limited (the Company) and Precision Handling Limited (the Subsidiary) as at 31 March 2011.

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

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and

- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

##### **Impairment of aircraft**

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

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

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

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

##### **Unused ticket revenue**

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

##### **Property and equipment**

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

#### **5. CHANGES IN ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 April 2010:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009
- Improvements to IFRSs (April 2009)



When the adoption of the standard or the interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

#### *IFRS 2 Share-based Payment (Revised)*

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Group.

#### *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

#### *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has accordingly amended its accounting policy. The related impact on the financial position or performance of the Group is disclosed in Note 33.

#### *IFRIC 17 Distributions of Non-cash Assets to Owners*

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Group.

#### *Improvements to IFRSs*

In April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. This amendment did not have any impact.
- *IFRS 8 Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. There is only one operating segment as the Group's chief operating decision maker does review segment assets, liabilities and performance for the Group as a whole.

- IAS 7 *Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment did not have an impact in the statement of cash flows presentation.
- IAS 36 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments were issued in April 2009 resulting from Improvements to some IFRSs which did not have any impact on the accounting policies, financial position or performance of the Group. These are IAS 1 Presentation of Financial Statements, IAS 17 Leases, IAS 34 Interim Financial Reporting, IAS 38 Intangible Assets, and IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 16 Hedge of a Net Investment in a Foreign Operation.

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Comparative figures

Previous year's balances have been regrouped whenever appropriate for comparison purposes.

### Summary of significant accounting policies:

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

### Revenue

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

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

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

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

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

### Inventories

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

### Property and equipment

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

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

	%
Aircraft	5.00 – 6.75
Aircraft components	on hourly usage basis up to next to overhaul

Aircraft improvements	20.00 – 25.00
Motor vehicles	20.00 – 25.00
Computers	25.00 – 33.33
Furniture, equipment and structures	12.50 – 15.00

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

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

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

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

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

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

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

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

### **Leases**

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

#### **Group as a lessee**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of leased item, are capitalised at the inception of the lease at their fair value at the date of acquisition or if the lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised lease assets are depreciated over the shorter of the lease term and its useful life.

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

#### **Intangible assets**

Intangible assets are measured on initial recognition at cost. Generally, costs associated with developing computer software programmes are recognized as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost

less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

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

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

### **Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

### **Foreign currency translation**

#### *Functional and presentation currency*

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

#### *Transactions and balances*

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

### **Cash flow hedges**

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

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, this being assets that necessarily take a substantial period of time to get ready for their intended use, are 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 borrowings pending the disbursement of the proceeds towards expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### **Cash and cash equivalents**

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

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

### **Employee benefits**

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

#### *Pensions and other post-retirement benefits*

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

### **Financial assets**

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

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

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

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

#### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. The Group did not have any held-to-maturity investments at year end.

#### *Loans and receivables*

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

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

#### *Available-for-sale financial investments*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised in other comprehensive income and accumulated in the available for sale reserve in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised through other comprehensive income into profit or loss.

#### *Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

#### *Amortised cost*

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

#### **Impairment of financial assets**

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

### *Assets carried at amortised cost*

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

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

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

### *Available-for-sale financial investments*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity through other comprehensive income into profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss but directly in other comprehensive income. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

### **Financial liabilities**

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

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

### **Interest bearing loans and borrowings**

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

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

### **Derecognition of financial assets and liabilities**

#### *Financial assets*

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

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



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

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

#### *Financial liabilities*

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

#### **Dividend distribution**

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

#### **Taxation**

##### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date. The current rate of corporation tax is 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 directly in other comprehensive income or equity are also recognised in other comprehensive income or equity and not in the income statement.

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

#### *Value added tax*

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

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

## **7. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

#### *IAS 12 Income taxes (Amendment)*

The amendment is effective for annual periods beginning on or after 1 January 2012 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis should be adopted. This amendment will have no impact on the Group after initial application.

#### *IAS 24 Related Party Disclosures (Amendment)*

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

#### *IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (Amendment)*

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

#### *IFRS 9 Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and

measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

*IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosure of Interest in Other Entities.*

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities. The changes will require management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a group.

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses some of the terms that were used in IAS 31 but with different meanings which may create some confusion as to whether there are significant changes. IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements; joint operations where the entity recognises its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (no more proportional consolidation).

IFRS 12 includes all the disclosures that were previously in IAS 27 related to consolidated financial statements as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investments in Associates. A number of new disclosures are also required.

The Group will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. IFRS 10, 11 and 12 will be effective for the Group 1 July 2013.

*IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single framework for all fair value measurement when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The Group will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Group 1 July 2013.

*IFRIC 14 Prepayments of a minimum funding requirement (Amendment)*

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

*IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

### Improvements to IFRSs (issued in May 2010)

The IASB issued improvement to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods beginning on or after either 1 July 2010 or 1 January 2011. The amendments listed below are considered to have possible impact on the Group:

- IFRS 3 Business combinations
- IFRS 7 Financial Instrument: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidation and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

## 8. REVENUE

**Table 29: Revenue**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Passenger revenue	66,904,750	77,612,778	94,168,182
Freight and mail	618,576	1,580,429	2,787,754
Fuel Surcharge	16,821,026	13,300,151	16,649,972
	<b>84,344,352</b>	<b>92,493,357</b>	<b>113,605,908</b>

## 9. COST OF SALES

**Table 30: Cost of Sales**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Fuel and oil	19,228,618	13,883,816	20,677,591
Lease of aircraft and engines	7,734,018	6,205,206	3,218,912
Aircraft landing, handling and navigation	5,821,441	4,860,675	5,605,797
Aircraft maintenance	9,716,982	11,903,897	7,627,435
Depreciation of aircraft components	4,604,614	2,009,814	3,143,507
Passenger services	2,465,950	3,785,238	5,047,280
Commission on sales	3,168,876	2,775,181	3,692,264
Aircraft, passengers and cargo insurance	259,168	100,611	134,483
Depreciation of aircraft and engines	2,835,954	6,774,900	11,130,915
Crew route expenses	1,011,711	1,188,988	1,096,651
Centralised reservation systems	3,917,314	6,373,243	8,359,523
Aircraft cleaning and certification	312,124	329,244	387,630
	<b>61,076,770</b>	<b>60,190,813</b>	<b>70,121,988</b>

## 10. OTHER INCOME

**Table 31: Other income**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Cancellation income	98,440	178,103	260,862

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Miscellaneous	96,046	7,017	144,578
	<b>194,486</b>	<b>185,121</b>	<b>405,440</b>

## 11. MARKETING COSTS

Table 32: Marketing costs

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Advertising and publicity	669,793	633,214	1,140,796
Entertainment	1,773	20,959	23,294
	<b>671,565</b>	<b>654,173</b>	<b>1,164,090</b>

## 12. ADMINISTRATIVE COSTS

Table 33: Administrative costs

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Salaries and wages	9,052,698	12,462,970	13,368,148
Contribution to pension fund	832,084	1,034,737	1,072,093
Payroll levies	547,746	715,305	788,176
Other employment costs	2,355,009	3,466,342	5,608,077
Motor vehicle expenses	592,846	992,164	1,899,172
Legal and professional fees	432,182	440,629	527,841
Rent, maintenance and supplies	1,271,507	1,724,200	3,507,098
General expenses	345,182	1,399,605	3,440,301
Board meeting expenses	50,566	15,924	51,527
Donations	4,250	4,295	43,769
Depreciation-motor vehicles, computers, furniture and equipment	290,875	315,121	293,861
Loss on disposal of property and equipment	-	-	-
Amortization of intangible assets	105,914	109,098	168,439
	<b>15,880,859</b>	<b>22,680,391</b>	<b>30,768,502</b>

## 13. FINANCE COSTS

Table 34: Finance costs

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Bank charges	192,594	238,629	448,665
Interest on debts and borrowings	2,903,251	5,677,694	7,186,771
	<b>3,095,845</b>	<b>5,916,323</b>	<b>7,635,436</b>

## 14. (LOSS)/GAIN IN FOREIGN CURRENCY

Table 35: (Loss)/Gain in foreign currency

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
(Loss)/gain on foreign currency	(529,741)	(1,313,136)	(2,131,257)

Loss/gain on foreign currency denominated transactions and balances largely relates to translation of US\$ loans, US\$ bank overdraft, US\$ finance lease and US\$ suppliers balances.

## 15. QUOTED INVESTMENTS

**Table 36: Quoted investments**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
CRDB Bank Limited (120,000 shares @ nominal value of TZS 25)	3,000	3,000	-

The investment is carried at cost. The fair value as at 31 March 2010 was TZS 13,800,000 at a market price of TZS 115 per share.

## 16. PROPERTY PLANT AND EQUIPMENT

Table 37: Property, Plant and Equipment

	Air Craft TZS '000	Aircraft Components TZS '000	Aircraft Improvements TZS '000	Motor Vehicles TZS '000	Computers TZS '000	Furniture, Equipment & Structures TZS '000	Work in Progress (Hanger) TZS '000	Total TZS '000
<b>Cost or valuation:</b>								
At 1 April 2008	32,094,502	9,025,070	-	470,060	418,454	393,030	-	42,401,116
Additions	23,812,605	5,659,147	7,519,323	184,533	6,493	13,515	-	37,195,616
<b>At 31 March 2009</b>	<b>55,907,107</b>	<b>14,684,217</b>	<b>7,519,323</b>	<b>654,593</b>	<b>424,947</b>	<b>406,545</b>	<b>-</b>	<b>79,596,732</b>
Additions	70,088,597	3,660,935		34,999	209,477	90,406	504,472	74,588,886
Revaluations	5,560,746	-	-	-	-	-	-	5,560,746
<b>At 31 March 2010</b>	<b>131,556,451</b>	<b>18,345,152</b>	<b>7,519,323</b>	<b>689,592</b>	<b>634,424</b>	<b>496,951</b>	<b>504,472</b>	<b>159,746,364</b>
Additions	79,364,663	2,028,493	-	86,470	201,054	222,235	4,518,646	86,421,561
Revaluations	5,116,744	253,506	-	-	-	-	-	5,370,250
<b>At 31 March 2011</b>	<b>216,037,857</b>	<b>20,627,151</b>	<b>7,519,323</b>	<b>776,062</b>	<b>835,478</b>	<b>719,186</b>	<b>5,023,118</b>	<b>251,538,175</b>
<b>Depreciation and impairment:</b>								
At 1 April 2008	2,826,607	5,829,046	-	252,040	305,803	257,448	-	9,470,944
Charge for the year	2,835,954	4,604,614	1,503,864	120,240	116,734	53,901		9,235,307
Disposals	-	-	-	-	-	-	-	-
At 1 April 2009	5,662,561	10,433,660	1,503,864	372,280	422,537	311,349	-	18,706,251
Charge for the year	6,774,901	2,009,814	2,400,000	169,877	72,731	72,513	-	11,499,837
At 31 March 2010	12,437,462	12,443,475	3,903,864	542,157	495,268	383,862	-	30,206,088
Charge for the year	11,130,915	743,507	2,400,000	118,569	102,045	74,201	-	14,569,237
At 31 March 2011	23,568,377	13,186,981	6,303,864	660,727	597,313	458,062	-	44,775,325
<b>Net book value (Restated)</b>								
<b>At 31 March 2009</b>	<b>50,244,546</b>	<b>4,250,557</b>	<b>6,015,459</b>	<b>282,313</b>	<b>2,410</b>	<b>95,196</b>	<b>-</b>	<b>60,890,481</b>
<b>At 31 March 2010</b>	<b>119,118,988</b>	<b>5,901,677</b>	<b>3,615,459</b>	<b>147,435</b>	<b>139,156</b>	<b>113,089</b>	<b>504,472</b>	<b>129,540,276</b>
<b>At 31 March 2011</b>	<b>192,456,920</b>	<b>7,440,170</b>	<b>1,215,459</b>	<b>115,335</b>	<b>238,165</b>	<b>261,124</b>	<b>5,023,118</b>	<b>206,762,850</b>

Aircraft with registration no 5H-PAG and 5H-PAA are mortgaged against banking facilities secured from Kenya Commercial Bank (T) Limited and Stanbic Tanzania Limited respectively. Refer Note 23 of the these financial statements

At the year end, the Company engaged Ascend Online Values (V1) Portfolio Services, an accredited independent valuer, to determine the fair value of the aircraft.

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

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

**Table 38: Aircrafts**

	RESTATED 2009 TZS '000	RESTATED 2010 TZS '000	2011 TZS '000
Cost	55,907,109	125,995,704	205,360,367
Accumulated depreciation and impairment	(5,662,562)	(12,437,462)	(23,568,377)
Net Carrying amount	50,244,547	113,558,242	181,791,990

## 17. INTANGIBLE ASSETS

**Table 39: Intangible Assets**

	RESTATED 2009 TZS '000	RESTATED 2010 TZS '000	2011 TZS '000
<b>Cost</b>			
At 1 April	529,569	529,569	548,677
Additions	-	19,108	293,517
<b>At 31 March</b>	<b>529,569</b>	<b>548,677</b>	<b>842,194</b>
<b>Accumulated amortisation</b>			
At 1 April	198,538	304,452	413,550
Charge for the year	105,914	109,098	168,439
<b>At 31 March</b>	<b>304,452</b>	<b>413,550</b>	<b>581,989</b>
<b>Net book value</b>	<b>225,117</b>	<b>135,127</b>	<b>260,205</b>

## 18. INVENTORIES

**Table 40: Inventories**

	RESTATED 2009 TZS '000	RESTATED 2010 TZS '000	2011 TZS '000
Aircraft spare parts	5,201,786	4,882,248	4,073,167
Less: Provision for slow moving items	(354,807)	(354,807)	-
	<b>4,846,979</b>	<b>4,527,441</b>	<b>4,073,167</b>
Aircraft tools	619,364	619,364	-
Fuel and stationeries	206,706	2,398,624	2,901,082
	<b>5,673,049</b>	<b>7,545,429</b>	<b>6,974,249</b>

The movement in the provision for slow moving items is set out below:

**Table 41: Inventories**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
At 01 April	725,103	354,807	-
Inventories written off	(370,296)	-	-
At 31 March	354,807	354,807	-

**19. OTHER FINANCIAL ASSETS****Table 42: Financial Assets**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
SITA Global Investment	5,255	5,255	5,255
Aircraft security deposit	10,032,011	1,526,938	-
	10,037,266	1,532,194	5,255

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

The long term receivables relate to initial deposit made for both leased aircraft and new aircraft. The contractual deposit is only released upon return of the aircraft or delivery of the aircraft respectively. The additional deposit during the year was towards one leased aircraft and 7 new aircraft acquisition paid to ATR, KAI Schroder and Airplanes Finance.

The deposits do not attract any interest. The movement in deposit is as follows:

**Table 43: Deposits**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
At the beginning of the year	5,797,843	10,032,011	1,526,938
Additional deposit paid	6,390,098	656,897	-
Refunds in the year	(2,155,930)	(9,161,970)	(1,526,938)
At the end of the year	10,032,011	1,526,938	-

**20. TRADE AND OTHER RECEIVABLES****Table 44: Trade and other receivables**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Trade receivables - Third party	6,550,378	11,442,067	11,551,109
Less: Allowance for credit losses	(847,112)	(833,715)	(864,597)
	<b>5,703,266</b>	<b>10,608,352</b>	<b>10,686,512</b>
Trade receivables - Related party (Note 26)	1,105,812	2,765,606	1,157,334
Advances to suppliers	2,218,643	1,118,546	647,884
Inward bills control	14,008,242	8,634,962	3,386,216
Staff loans, advances and imprests	190,112	142,877	113,477
Prepayments	1,270,664	696,128	865,557
Tax deposit	50,000	-	-
	<b>24,546,739</b>	<b>23,966,471</b>	<b>16,856,980</b>



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

**Table 45: Movement in the valuation of allowance for credit losses**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
At 01 April	930,903	847,112	833,715
Addition	466,060	103	30,881
Utilised	(549,851)	(13,397)	-
At 31 March	847,112	833,715	864,597

Age analysis of trade receivables - third party

**Table 46: Age analysis of trade receivables**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Neither past due nor impaired	4,540,651	10,608,352	10,672,450
Past due but not impaired - Above 90 days	1,162,615	-	14,063
Overdue and impaired - Greater than 360 days	847,112	833,715	864,597
	6,550,378	11,442,067	11,551,109

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

**Table 47: Trade and other receivables in foreign currency**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
United States Dollar	15,819,259	11,798,409	5,701,794
Euro	-	-	151,228
Sterling Pound	-	-	197,952
South African Rand	-	-	211,331
Kenya Shilling	-	-	326,834
	15,819,259	11,798,409	6,589,139

- For terms and conditions relating to related party receivables, refer to Note 25.
- Trade receivables are non-interest bearing and are generally on 30 - 90 day terms.

## 21. CASH AND CASH EQUIVALENT

**Table 48: Cash and cash equivalent**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Cash and bank balances	5,020,815	4,817,205	8,857,140
Bank overdraft (Note 24)	(4,882,198)	(6,037,344)	(8,718,504)
	138,617	(1,220,139)	138,636

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

**Table 49: Foreign denominated amount in cash figure**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
--	------------------------------	------------------------------	------------------

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
United States Dollars	2,458,299	2,664,254	4,743,655
Euro	106,291	89,604	301,939
South African Rand	105,049	191,321	103,994
Kenyan Shillings	174,848	265,420	177,208
	<b>2,844,487</b>	<b>3,210,600</b>	<b>5,326,796</b>

## 22. TAXATION

(a) Tax (recoverable)/payable

**Table 50: Tax (recoverable)/payable**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
At 1 January	(9,099)	(9,099)	118,649
Payments during the year	-	(125,000)	-
Alternate minimum tax charge	-	252,748	-
<b>Balance at 31 March</b>	<b>(9,099)</b>	<b>118,649</b>	<b>118,649</b>

(b) Income Tax expense

**Table 51: Income tax expense**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Current year tax	-	-	-
Alternate minimum tax	-	252,748	-
Deferred tax (credit)/charge	(53,192)	(1,117,317)	874,079
	<b>(53,192)</b>	<b>(864,569)</b>	<b>874,079</b>

(c) Deferred Tax

**Table 52: Deferred tax**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
<b>Deferred tax liability</b>			
Accelerated depreciation for tax purposes	32,638,028	74,673,808	133,771,579
Revaluation surplus	786,651	5,560,746	10,930,996
	<b>33,424,679</b>	<b>80,234,554</b>	<b>144,702,575</b>
Deferred tax liability thereon at 30%	10,027,404	24,070,366	43,410,772
<b>Deferred tax asset</b>			
Provision for leave	(498,020)	(517,119)	(638,268)
Cashflow hedging reserve	-	-	(14,543,635)
General provisions	(1,201,919)	(1,188,523)	(864,597)
Tax losses	(15,298,284)	(60,266,100)	(116,653,053)
	<b>(16,998,223)</b>	<b>(61,971,742)</b>	<b>(132,699,554)</b>
Deferred Tax thereon at 30%	(5,099,467)	(18,591,522)	(39,809,866)

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Net Deferred tax liability	4,927,937	5,478,844	3,600,906
Less: Opening net deferred tax liability	4,981,129	4,927,937	5,478,844
<b>Deferred tax charge</b>	<b>(53,192)</b>	<b>550,907</b>	<b>(1,877,938)</b>
Charged to:			
Income statement	(53,192)	(1,117,317)	874,079
Equity	-	1,668,224	(2,752,016)
	<b>(53,192)</b>	<b>550,907</b>	<b>(1,877,938)</b>

Section 4(1) (a) of the income tax Act 2004 as amended requires corporations with perpetual loss status for three consecutive years on income as a result of tax investments to pay tax at the rate of 0.3% of the annual turnover of the third year in the period in which the corporation is in a loss. The company has made tax losses for the three consecutive years ended 31 March 2009; hence, liable to alternate minimum tax charge.

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

**Table 53: Tax reconciliation**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
Accounting profit before tax	2,817,998	1,923,539	2,159,194
Tax applicable rate 30%	845,399	577,062	647,758
Tax effect on non taxable/non deductible items			
Disallowable expenses	(898,591)	(1,441,631)	226,320
Tax expense/(credit)	(53,192)	(864,569)	874,079

(e) Tax assessments

Annual tax returns have been filed with the Tanzania Revenue Authority (TRA) up to financial year end 31 March 2010. Annual Returns for the year ended 31 March 2011 are due on 30 September 2011.

## 23. SHARE CAPITAL

**Table 54: Share capital**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
<b>Authorised:</b>			
242,000,000 Ordinary Shares of TZS 20/= each (2010: 4,840,000 Ordinary Shares of TZS 1,000/= each )	4,840,000	4,840,000	4,840,000
<b>Issued and fully paid up:</b>			
As at 1 April			
135,015,000 Ordinary Shares of TZS 20/= each (2010: 2,700,300 Ordinary Shares of TZS 1,000/= each )	2,700,300	2,700,300	2,700,300
As at 31 March	2,700,300	2,700,300	2,700,300

**The Shareholders of the Company are:**

- Michael N. Shirima - 51%
- Kenya Airways Limited - 49%

### Revaluation Reserves

The revaluation reserve is used to record increases in the fair value of aircrafts and Furniture, equipment and computers and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

## 24. INTEREST BEARING LOANS

**Table 55: Interest bearing loans**

	Average Interest rate	Maturity	RESTATED 2009 TZS' 000	RESTATED 2010 TZS' 000	2011 TZS' 000
<b>Secured Bank term loans</b>					
Kenya Commercial Bank Limited - US\$	8.80%	30.10.2011	2,617,528	1,640,189	770,682
Citibank International Plc - US\$	4.28%	2008 – 2022	39,871,924	95,967,302	168,175,596
Kenya Commercial Bank Limited-US\$ (Hangar Loan)	8.80%	30.08.2015			3,637,357
Stanbic Tanzania Ltd-US\$ (Caravan)	5.50%	31.12.2011			901,252
Stanbic Tanzania Ltd- US\$	5.50%	On demand	3,030,141	2,338,155	2,273,570
			<b>45,519,593</b>	<b>99,945,646</b>	<b>175,758,457</b>
<b>Secured Bank overdrafts</b>					
Kenya Commercial Bank - US\$	9.00%	on demand	1,571,169	2,664,983	3,688,283
Stanbic Bank (T) Limited - US\$	9.50%	on demand	3,311,029	3,372,361	5,030,221
			<b>4,882,198</b>	<b>6,037,344</b>	<b>8,718,504</b>
<b>Grand total Interest Bearing loans and borrowings</b>			<b>50,401,791</b>	<b>105,982,990</b>	<b>184,476,961</b>
Non-Current Interest bearing loans and borrowings			40,484,725	89,437,235	155,136,748
Current Interest bearing loans and borrowings			9,917,066	16,545,755	29,340,213
			<b>50,401,791</b>	<b>105,982,990</b>	<b>184,476,961</b>

In the opinion of the directors, the carrying amounts of borrowings approximate to their fair value.

The movement in secured term loans is as follows:

**Table 56: Movement in secured term loans is as follows**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
At the beginning of the year	26,322,458	45,519,593	99,945,646
Additional loans received	23,906,707	23,994,294	84,855,849
Repaid in the year	(3,612,185)	(4,797,159)	(9,043,037)
At the end of the year	<b>26,294,262</b>	<b>45,519,593</b>	<b>175,758,457</b>

As at year end, the following overdraft facilities were undrawn:

**Table 57: Undrawn overdraft facilities**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Kenya Commercial Bank - US\$ 16,609	5,307	22,317	-
Stanbic Bank (T) Limited - US\$ 490,149	630,161	658,589	-
	635,468	680,906	-

As at year end, the following term loan facility was undrawn:

**Table 58: Loan facility undrawn**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
*Kenya Commercial Bank (Hangar loan- USD 5,794,973)	-	7,786,300	4,757,198
** Stanbic Bank (Short term enhanced loan-US\$ 1,300,000)	-	1,746,719	209,375
***Stanbic Bank (Short term revolving loan -US\$ 700,000)	-	940,541	152,832

\* The loan has been approved for construction of hangar project. No withdrawal was made as at year end. The loan is secured by mortgage over hanger property to be constructed at Mwalimu Julius Nyerere International Airport for entire exposure to the tune of US\$ 9,795,000

\*\* The two Stanbic Bank loans have been approved for enhancement of existing facilities. No withdrawal was made as at year end. The loan is secured by mortgage over the debentures pledged on the original borrowings.

#### **KCB Limited: Loan -US\$ 4,005,000 and Overdraft - US\$ 2,000,000**

The loan was granted for the purpose of paying off the loan existing at East African Development Bank Limited (EADB) and is payable over 6 years.

The facilities are secured by Chattels Mortgage over:

- ATR 42 No. 5H PAG to secure entire exposure to the tune of US\$ 9,795,000
- Debenture over floating assets to the maximum exposure of US\$ 9,795,000
- Assignment over monthly BSP receivables
- Insurance cover with bank's interest registered

#### **Stanbic Bank Ltd: Loan - US\$ 3,180,076 and Overdraft - US\$ 3,000,000**

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-PAA 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

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

- The purpose of the loan is to finance the acquisition of 5 ATR 72-500 and 2 ATR 42-500
- 7 aircrafts have been delivered of which 2 were delivered this year
- The loan is secured by the aircrafts that have been delivered
- Seven aircraft in the Precision Air Fleet are registered in the name of Swala Leasing and Finance Limited. Swala Leasing and Finance limited is a fully

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

## 25. TRADE AND OTHER PAYABLES

**Table 59: Trade and other payables**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Trade payables - third parties	26,443,017	22,323,650	18,722,244
Trade payables - related parties (Note 26)	14,826	4,592	10,091
Advances from customers	273,603	582,220	66,025
Sales in advance of carriage	1,329,231	3,052,725	4,550,332
Dividend payable	122,500	122,500	-
Accruals and other creditors	8,994,467	9,294,708	12,728,902
	<b>37,177,644</b>	<b>35,380,395</b>	<b>36,077,594</b>

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

**Table 60: Trade and other payables in foreign currency**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
United States Dollar	16,745,201	15,935,701	10,286,872
Euro	246,156	234,256	20,737
Great Britain Pound	2,445	2,327	197,612
South African Rand	-	-	7,276
Kenya Shilling	137,063	130,437	72,578
	<b>17,130,865</b>	<b>16,302,721</b>	<b>10,585,074</b>

For terms and conditions relating to related party payables, refer to Note 26.

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

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

## 26. RELATED PARTY TRANSACTIONS

(I) Key management remuneration

**Table 61: Key management remuneration**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Short term benefits	60,706	60,706	263,273
Post employment benefits	6,071	6,071	7,929
Directors allowances	40,584	15,924	40,800
	<b>107,361</b>	<b>82,701</b>	<b>312,000</b>

Key Management personnel include the Management director and CEO.

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

**Table 62: Purchase and other transactions from related parties**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Kenya Airways Limited	3,984,611	7,603,715	17,915,304
Huduma Exim Limited	-	-	-
Rombo Millers Company Limited	-	2,096	-
Ngaleku Childrens Home Contribution	-	4,276	5,260

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

**Table 63: Sales and other transactions to related parties**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Kenya Airways Limited	5,045,665	9,308,266	4,624,322
Ngaleku Childrens Home Contribution	-	3,511	-

Kenya Airways Limited owns 49% of the ordinary shares of Precision Air Services Limited. As is common throughout the airline industry, Precision Air Services Limited and Kenya Airways Limited from time to time carry each other's passengers travelling on the other airline's tickets. The settlement between the two carriers is actioned through IATA Clearing House (ICH) of which both airlines are members.

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

Huduma Exim Limited and Rombo Millers Company Limited are owned by Mr. Michael N. Shirima, the board Chairman and 51% stake holder in the company. Ngaleku Childrens Home Contribution is a related part by virtue of the board Chairman being a Trustee.

Precision Handling Limited was incorporated in Tanzania during the year and 100 % of its share capital is held by the Company. The subsidiary provides ground handling services to Precision Air Services.

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

a) Balances due from related parties

**Table 64: Balance due from related parties**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Huduma Exim Limited	11,922	-	-
Rombo Millers Company Limited	1,173	-	-
Precision Ground Handling Limited	-	-	1,157,334
Kenya Airways Limited	1,092,717	2,765,606	-
	1,105,812	2,765,606	1,157,334

b) Balances due to related parties

**Table 65: Balance due to related parties**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Ngaleku Childrens Home Contribution	-	765	5,260
Kenya Airways Limited	-	-	3,765
Rombo Millers Company Limited	-	923	-

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Huduma Exim Limited	14,826	2,904	1,066
	<b>14,826</b>	<b>4,592</b>	<b>10,091</b>

The outstanding balances with related parties are not secured.

## 27. LEASE COMMITMENTS

### Operating lease

The aggregate payments for which the Company has commitments under operating leases at the end of the year fall due as follows: As at the end of the year the company had only one leased aircraft.

**Table 66: Lease commitment**

	RESTATED 2009 TZS' 000	RESTATED 2010 TZS'000	2011 TZS'000
Within one year	4,858,515	2,418,570	2,709,000
After one year but not more than five years	11,826,000	9,674,280	8,127,000
More than five years	2,168,100	-	-
	<b>18,852,615</b>	<b>12,092,850</b>	<b>10,836,000</b>

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

## 28. OTHER COMMITMENTS

### Guarantee

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

### Capital commitment

On 26th January 2010, the Company signed an agreement with Catic International Engineering (T) Limited for the erection and completion of hangar complex at Mwalimu Julius Nyerere International Airport. The remaining construction work will cost US\$ 5.7 Million (TZS 8.5 billion).

## 29. CONTINGENCIES

### Legal claims

As at 31 March 2011, the Group is a defendant in two legal actions:

- **Moshi District Court [Civil Case No. 4/2007]: Pastory Timira Vs Precision Air Services Limited & Kenya Airways Limited (KA).**

This is a suit against the Group and Kenya Airways by a passenger claiming damages to the tune of over TZS 80 million as damages for loss of luggage on the Hong Kong-Nairobi-Kilimanjaro route.

- **Labour Dispute [No. 49/2008]: Kato Samwel Kilungu & 20 Others Vs the Company**

In this case three ex-employees of the Group are claiming a total of over TZS 200 million (approximately USD 150,000) as overtime allowance not paid.

The Group has been advised by its legal counsel that it is only possible, but not probable, that the actions will succeed and accordingly no provision for any liability has been made in these financial statements.



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

### **30. EMPLOYEES**

Number of employees for the Group at the end of the year was 657 (2010: 576).

### **31. EARNINGS PER SHARE**

- a.** Basic earnings per share is calculated on the profit or loss after tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. This is by dividing profit for the year (after tax) to the numbers of issued and fully paid ordinary shares i.e. 135,015,000 (2010: 2,700,300)
- b.** Diluted earnings per share is calculated on the profit or loss after tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding after adjustment of dilutive potential ordinary shares.
- c.** The basic and diluted earnings per share are the same as there are no convertible instruments.

### **32. FINANCIAL RISK MANAGEMENT**

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

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

#### **a. 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.

#### **b. Liquidity risk**

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

The Group's liquidity is managed by forecasting the cash and currency requirements. In managing its liquidity risk, the Group has access to a wide range of funding at competitive rates through banks.

#### **c. Foreign currency risk**

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

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

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

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

**Table 67: Foreign currency risk sensitivity**

	Increase/decrease in the value of TZS vs. US Dollar	Effect on profit TZS'000	Effect on equity TZS'000
Net effect based on statement of financial position as at 31 March 2011	+10%	-18,432,000	-12,902,400
	-10%	+18,432,000	+12,902,400
Net effect based on statement of financial position as at 31 March 2010	+10%	-10,593,000	-7,415,100
	-10%	+10,593,000	+7,415,100

**d. Interest rate risk**

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

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

**Table 68: Interest rate risk sensitivity**

	Increase/decrease in interest rate	Effect on profit before tax TZS'000	Effect on equity TZS'000
Net effect based on statement of financial position as at 31 March 2011	+1%	-1,857,000	-1,690,000
	-1%	+1,857,000	+1,690,000
Net effect based on statement of financial position as at 31 March 2010	+1%	-1,060,000	-964,033,000
	-1%	+1,060,000	+964,033,000

**e. Credit risk management**

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

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

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

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

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

The analysis of trade and other receivables is as per note 20.

#### 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.

### 33. HEDGES

#### Cash flow hedges

At 31 March 2011 the Group and Company held one principal risk management activity that was designated as hedges of future forecast transactions. These was a hedge of a proportion of future long-term revenue receipts by future debt repayments in foreign currency hedging future foreign exchange risk.

To the extent that the hedge was assessed as highly effective, the amounts included in equity as detailed below:

**Table 69: Interest rate risk sensitivity**

	<b>2011</b>	<b>2010</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Debt repayments to hedge future revenue	(14,543,635)	-
Related deferred tax charge	<u>4,363,091</u>	<u>-</u>
Total amount included within equity	<u><b>(10,180,544)</b></u>	<u><b>-</b></u>

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

**Table 70: Carrying amount and fair value on financial instruments**

	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
<b>31 March 2011</b>				
<b>Financial assets</b>				
Trade and other receivables	-	15,699,646	-	15,699,646
Other financial assets	-	5,255	-	5,255
Cash and short-term deposits	-	8,857,140	-	8,857,140
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	-	185,694,712	-	185,694,712
Trade and other payables	-	36,077,593	-	36,076,055
<b>31 March 2010</b>				
<b>Financial assets</b>				
Trade and other receivables	-	23,396,472	-	23,396,472
Other financial assets	-	1,532,194	-	1,532,194
Cash and short-term deposits	-	4,817,205	-	4,817,205
<b>Financial liabilities</b>				
Interest bearing loans and borrowings	-	105,982,990	-	105,982,990
Trade and other payables	-	35,380,395	-	35,380,395

At fair value through profit or loss financial assets - these instruments are at quoted list prices, they are classified as level 1.

Held to maturity financial assets, other receivables, fixed deposits with financial institutions; cash and bank balances and other payables are at amortised cost and their carrying amounts approximate their fair values as they have variable interest rate and the rates are market related. As the fair values are not based on quoted list prices, they are classified as level 2 as it is based on similar market transactions.

Level 3 financial assets are carried at cost due to unavailability of information that could have been used to apply valuation technique, therefore no fair value adjustment recognised in the statement of comprehensive income during the year. (2009: Nil).

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

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

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

### 35. CAPITAL MANAGEMENT DISCLOSURES AND ANALYSIS OF CHANGES IN NET DEBT

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

The Group is not subject to any externally imposed capital requirements. The Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the years end 31 March 2011 and 31 March 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. All components of equity are included in the denominator of the calculation.

At 31 March 2011, the net debt ratio was 93.2% (2010:86.9%). The Group does not have a targeted debt ratio.

**Table 71: Net debt ratio**

	RESTATED 2009 TZS'000	RESTATED 2010 TZS'000	2011 TZS'000
<u>Gross debt</u>			
Interest bearing loans and borrowings	50,401,791	105,982,990	185,694,712
Trade and other payables	37,177,644	35,380,395	36,077,593
Cash and bank balances	(5,020,815)	(4,817,205)	(8,857,140)
<b>Net Debt</b>	<b>82,558,620</b>	<b>136,546,180</b>	<b>212,915,165</b>
<b>Equity</b>	<b>13,898,194</b>	<b>20,578,824</b>	<b>15,442,569</b>

<b>Capital and net debt</b>	<b>96,456,814</b>	<b>157,125,004</b>	<b>228,357,734</b>
<b>Net Debt Ratio</b>	<b>85.59%</b>	<b>86.90%</b>	<b>93.20%</b>

### 36. ISSUE OF REVISED FINANCIAL STATEMENTS <sup>3</sup>

The previously issued financial statements for the year ended 31 March 2009 and 31 March 2010, approved by the directors on 29 May 2009 and 14 May 2010 respectively, have been re-issued as a result of subsequent additional evidence obtained. Revision and reissuance of the financial statements was necessary to reflect the effects of the subsequent events and thus providing prospective investors on the Initial Public Offer with financial information of the company that give a true and fair view of the financial position as of 31 March 2009 and 31 March 2010 respectively, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002 .

The effect of these subsequent events to net profit for the years has been shown below:

**Table 72: Effects of subsequent events in the income statement**

	<b>31 March 2009 TZS '000</b>	<b>31 March 2010 TZS '000</b>
As previously stated	3,476,368	2,761,713
(Decrease) /increase in net profit	(605,178)	26,395
<b>As restated</b>	<b>2,871,190</b>	<b>2,788,108</b>

<sup>3</sup> As a result of the IPO process the Reporting Accountant in their review of the three years financial statements discovered certain normal course of business items that required accounting adjustments.



29 August 2011

The Directors  
Precision Air Services Plc  
P. O. Box 70770  
Dar es Salaam  
Tanzania.

Dear Sirs,

Independent Reporting Accountant's Report on the Profit Forecast

We have examined the profit forecast of Precision Air Services Plc set out on page 92 for the year to 31 March 2012 in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information. Management is responsible for the forecast including the assumptions set out on pages 93 to 95 on which it is based.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that these assumptions do not provide a reasonable basis for the forecast. Further, in our opinion the forecast is prepared on the basis of the assumptions and is presented in accordance with the accounting policies normally adopted by Precision Air Services Plc.

Actual results are likely to be different from the forecast results since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion on whether or not the forecast will be achieved.

Yours faithfully,

*PKF Tanzania*

PKF Tanzania  
Certified Public Accountants  
Dar es Salaam.

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**Profit Forecast for Year 2011/12**

**Table 73: Profit forecast**

PRECISIOAIR SERVICES LTD PROJECTED PROFIT AND LOSS FOR THE PERIOD APRIL 2011- MARCH 2012														
Figures in USD														
REVENUE	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Total	
Passenger	6,707,670	7,030,327	7,460,010	8,358,043	9,048,460	8,454,978	8,580,343	8,140,998	8,528,418	8,695,322	7,607,174	8,340,034	96,951,776	
Excess Baggage	50,308	52,727	55,950	62,685	67,863	63,412	64,353	61,057	63,963	65,215	57,054	62,550	727,138	
Cargo	149,630	160,097	171,862	183,649	209,278	225,123	240,875	257,729	233,226	249,545	267,007	285,690	2,633,711	
Fuel Surcharge	1,160,055	1,213,210	1,346,292	1,546,899	1,602,301	1,465,123	1,494,787	1,433,612	1,530,894	1,512,166	1,361,266	1,444,343	17,110,950	
Other Revenue	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000	
<b>Total Revenue</b>	<b>8,092,662</b>	<b>8,481,361</b>	<b>9,059,114</b>	<b>10,176,277</b>	<b>10,952,903</b>	<b>10,233,636</b>	<b>10,405,358</b>	<b>9,918,397</b>	<b>10,381,501</b>	<b>10,547,249</b>	<b>9,317,500</b>	<b>10,157,618</b>	<b>117,723,575</b>	
<b>COSTS</b>														
Direct Operating Costs	4,900,438	5,079,987	5,250,610	5,694,493	6,284,005	5,882,555	6,023,959	5,867,418	5,996,042	5,957,143	5,442,827	5,981,180	68,360,658	
Overheads	1,866,835	2,009,020	2,381,778	2,558,157	2,524,008	2,281,304	2,435,296	2,288,029	2,282,355	2,286,675	2,264,541	2,303,691	27,481,690	
Fleet Ownership Costs	1,334,687	1,339,562	1,457,625	1,621,301	1,633,291	1,495,810	1,503,293	1,495,577	1,504,196	1,501,641	1,480,285	1,504,365	17,871,634	
<b>Total Costs</b>	<b>8,101,960</b>	<b>8,428,569</b>	<b>9,090,014</b>	<b>9,873,950</b>	<b>10,441,304</b>	<b>9,659,669</b>	<b>9,962,548</b>	<b>9,651,024</b>	<b>9,782,594</b>	<b>9,745,459</b>	<b>9,187,653</b>	<b>9,789,237</b>	<b>113,713,982</b>	
<b>Operating Profit</b>	<b>(9,298)</b>	<b>52,793</b>	<b>(30,900)</b>	<b>302,326</b>	<b>511,599</b>	<b>573,967</b>	<b>442,809</b>	<b>267,373</b>	<b>598,907</b>	<b>801,790</b>	<b>129,847</b>	<b>368,381</b>	<b>4,009,594</b>	
<b>FINANCE COSTS</b>														
Loan Interest Charges	76,000	75,500	74,000	74,500	74,000	73,500	73,200	72,000	72,000	72,000	72,000	72,000	880,700	
Bank Charges	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000	
<b>Total Net Finance Costs</b>	<b>96,000</b>	<b>95,500</b>	<b>94,000</b>	<b>94,500</b>	<b>94,000</b>	<b>93,500</b>	<b>93,200</b>	<b>92,000</b>	<b>92,000</b>	<b>92,000</b>	<b>92,000</b>	<b>92,000</b>	<b>1,120,700</b>	
<b>Profit Before Tax &amp; Forex Adj</b>	<b>(105,298)</b>	<b>(42,707)</b>	<b>(124,900)</b>	<b>207,826</b>	<b>417,599</b>	<b>480,467</b>	<b>349,609</b>	<b>175,373</b>	<b>506,907</b>	<b>709,790</b>	<b>37,847</b>	<b>276,381</b>	<b>2,888,894</b>	
Loss(Gains) on Exchange														
<b>Profit Before Tax</b>	<b>(105,298)</b>	<b>(42,707)</b>	<b>(124,900)</b>	<b>207,826</b>	<b>417,599</b>	<b>480,467</b>	<b>349,609</b>	<b>175,373</b>	<b>506,907</b>	<b>709,790</b>	<b>37,847</b>	<b>276,381</b>	<b>2,888,894</b>	
Corporate Tax	31,589	12,812	37,470	(62,348)	(125,280)	(144,140)	(104,883)	(52,612)	(152,072)	(212,937)	(11,354)	(82,914)	(866,668)	
<b>PROFIT AFTER TAX</b>	<b>(73,709)</b>	<b>(29,895)</b>	<b>(87,430)</b>	<b>145,478</b>	<b>292,319</b>	<b>336,327</b>	<b>244,726</b>	<b>122,761</b>	<b>354,835</b>	<b>496,853</b>	<b>26,493</b>	<b>193,467</b>	<b>2,022,226</b>	
<b>CONTRIBUTION MARGIN</b>	<b>0%</b>	<b>1%</b>	<b>0%</b>	<b>3%</b>	<b>5%</b>	<b>6%</b>	<b>4%</b>	<b>3%</b>	<b>6%</b>	<b>8%</b>	<b>1%</b>	<b>4%</b>	<b>3%</b>	
<b>NET MARGIN</b>	<b>-1%</b>	<b>0%</b>	<b>-1%</b>	<b>1%</b>	<b>3%</b>	<b>3%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>	<b>0%</b>	<b>2%</b>	<b>2%</b>	

The company adopted the following assumptions in carrying out forecasts for year 2011/12.

General Assumptions

- a) The fleet position for the year 2011/12 will consist of:
- ATR 42-320: 2 (All Owned)
  - ATR 42-500: 4 (2 Owned and 2 Leased)
  - ATR 72-500: 5 (All Owned)
  - Boeing 733: 2 (Leased)
- b) At the beginning of the financial year, the fleet composition is four ATR 42, five ATR 72 and one Boeing. The budget provides for delivery of an additional Boeing in July 2011, one ATR 42-500 in Sept 2011 and one ATR 42-500 in Nov 2011 under the fleet expansion programme.

Specific Assumptions

These are assumptions that are specific to items of the projected profit/loss statement.

Revenue

Revenue is basically based on routes to be operated on, frequency, aircraft used, average fare and cargo.

- a) Airline Schedule – the proposed summer schedule covering the period April to October 2011 and winter schedule covering the period November 2011 to March 2012 are the key drivers of business activity, thus the basis upon which the budget is drawn.
- b) New Routes – the company is planning to introduce new routes as well as adjust the number of frequencies on some of the existing routes as follows:
- Dar JNB Dar X 4 weekly
  - Dar Pol Apl Dar X 2 weekly
  - Dar Hah Dar X 3 Weekly
  - Dar Sgx Mbi Dar X 3 Weekly

Note

- Dar -----Dar es Salaam
  - Pol----- Pemba (Mozambique)
  - Hah-----Hahaya (Comoros)
  - Sgx----- Songea (Ruvuma)
  - Mbi----- Mbeya
- c) Capacity Utilization – total capacity planned to be released to the market during the financial year 2011/12 is 827,800,000 available seat kilometers (ASK) compared to the budgeted ASKs of 769 million in 2010/11. The growth in ASKs is a reflection of the fleet expansion as well as mounting new routes and additional frequencies.
- d) Passenger Numbers – a total of 958 213 Passengers (Pax) are expected to be uplifted within the network during the year comprising of the following passenger numbers per zone. International 455,601 Western Zone 27,433, Northern Zone 245,947, Lake Zone 171,568 and Coastal zone 57,664.
- e) Fuel Surcharge, Cargo, Excess Baggage and Other Revenue – it is assumed that surcharge for all sectors will average USD 18 per passenger. This will result into revenue of USD 17,110,950.
- f) Excess Baggage – it has been budgeted for at 0.75% of passenger revenue thus resulting in total excess baggage revenue of USD 727,138.



- g) Cargo – expect to carry 2,394 tonnes of cargo being both freight & mail; the yield being USD 1.1 per kilo thus resulting in total revenue of USD 2,633,711.
- h) Other Revenue – have assumed other revenues will equate 0.3% of passenger revenues thus resulting in revenues equivalent to USD 300,000.

Operating Costs

- a) Fuel & Oils – during year 2010/11, the fuel prices at our various stations have fluctuated reaching highs of USD 1.23 per litre to lows of USD 0.68 per litre. The lower fuel costs were incurred from fuel uplifts in Kenya while the higher costs were incurred in Mwanza and Kilimanjaro. For budgetary purposes we have assumed an average price of USD 0.9 per litre.
- b) The following fuel burn rates have been used for budget purposes but may vary based on various factors including weather, flight altitude, aircraft weight etc:
  - ATR 42: Average consumption 700 liters per block hour
  - ATR 72: Average consumption 700 liters per block hour
  - ATR 42: Average consumption 2800 liters per block hour
- c) Aircraft Maintenance and Accelerated Depreciation - maintenance costs are based on contracted maintenance reserves for the leased aircraft i.e. Boeing, as well as provision for line maintenance and in-house mandatory structural checks for owned aircrafts. Rates assumed are USD 350 per block hour for ATRs. Boeing 737-300 rate is assumed at USD 750 per block hour.
 

Accelerated Depreciation has been provided to absorb the costs of major overhaul and structural modifications for owned aircrafts over the estimated useful life. The rate assumed is USD 75 per Block hour.
- d) Landing & Parking – landing and parking charges have been budgeted based on existing rates per each aircraft and airport. The growth in expenditure is mainly due to increase in number of frequencies across the network to be covered.
- e) Navigation Fees – these costs have been estimated based on the current prevailing rates applicable for various airports and airspace within our network.
- f) Catering – catering costs have been provided for at values ranging from USD 4.5 per pax to USD 10 per pax. The rates applied are specific to routes:
- g) Commission & Discounts – Agency and Interline commission payable have been estimated at an average of 1.55% of passenger revenue across the network.
- h) Distribution Costs – central reservation systems (CRS) costs have been budgeted at average of USD 6 per pax. This is based on actual contractual charges raised by the GDS.
- i) Aircraft Insurance – fleet insurance premium has been budgeted based on current market value of fleet for hull cover as well as projected RPKs for liability cover.
- j) Aircraft Finance Interest – aircraft finance costs are budgeted for based on actual interest charges raised by the financiers of the fleet modernization programme i.e. Citibank and Finnfund.
- k) Aircraft Depreciation – the company policy is to depreciate owned aircraft over a period of 15years.
- l) Employee Costs – staff numbers are expected to grow in line with the growth in operations. Employee costs account for 60% of total overhead costs. These costs are comprised of salaries & wages, social security, staff training, staff welfare, staff medical expenses, staff insurance. An amount of US\$ 1,155,262 has been budgeted for training of Pilots, Engineers and other staff.
- m) Motor Vehicle expenses – motor vehicle expenses account for 7% of company overheads. These expenditure items include motor vehicle hire, fuel & oil, maintenance and Insurance. The company is looking forward to continuing using hiring/leasing of Motor vehicles along with few owned vehicles.
- n) Communication Costs – an amount of US\$ 745,710 has been budgeted for telephones, email, fax and postage expenses. This accounts for 3% of total

overhead costs. The company continues to closely monitor communication expenses and encourages use of cheaper communication methods such as email.

- o) Establishment Costs – an amount of US\$ 2,053,752 has been budgeted for establishment costs. This accounts for 8% of total overhead costs. Establishment costs include some of the following expenditure items office & House rents, equipment maintenance, building maintenance, utilities
- p) Other Administrative Expenditure - general expenses are expected to reach US\$ 3,467,433 being 13% of total overhead costs. The key costs under this category are: Audit and other professional fees, Software Purchase & Licenses, Technical Manual & Publications, Seminar & Conferences, Printing & Stationary, Board Expenses, computer maintenance
- q) Selling & Marketing – an amount of US\$ 470,800 has been budgeted for selling & marketing expenses, being 2% of total overhead costs. The cost elements considered are Commercial Product advertising, Branding & Corporate Image advertising, Promotional gifts and giveaways.
- r) Employee Duty Travel Costs – an amount of US\$ 1,608,618 has been budgeted for employee duty travel expenses, being 6% of total overhead costs. The major cost driver related to duty travel is the Operations department where the budget amounts to US\$ 964,374 to cater for expenses related to Pilot simulator sessions.
- s) Depreciation Costs – an amount of US\$ 636,000 has been budgeted for depreciation, being 2% of total overhead costs. The major items being depreciated are computer equipment, furniture & fittings and motor vehicles.

#### Opinion

Most of the activities of airlines are governed by national civil aviation regulations and IATA standards and their budgets are to a certain extent governed by these regulations and standards. The financial projects for year 2011/12 provided by Precision Air Services Limited are elaborate, carried out by aircraft and route on a monthly basis. The assumptions are realistic and are reflected in projected figures. Monthly growth rates are balanced and reflect seasonality. Management has provided acceptable explanations/clarifications to our queries.

In our opinion, the forecasts for year 2011/12 present acceptable financial performance of the company for the year.

## 13 STATUTORY AND GENERAL INFORMATION

### 13.1 INCORPORATION

The Company was incorporated as a private limited liability company in Tanzania under the Companies Act, [Cap. 212 R.E. 2002]. It holds Certificate of Incorporation No 18960 issued on 16th January 1991. It was registered as a private company and, therefore, the shares of the Company were not freely transferable, the maximum number of shareholders was restricted to fifty and any invitation to the public to subscribe for any shares was prohibited.

On 15 July 2010, a resolution by the board of directors approved amendment to the Memorandum and Articles of Association of the Company and conversion of the Company from a private company to a public company.

A certified copy of the amended Articles of Association of the Company was filed with the Registrar of Companies on 14 April 2011.

No winding-up order has been issued against the Company and no receiver manager or liquidator has been appointed in respect of the Company.

### 13.2 AUTHORISED AND ISSUED SHARES

#### 13.2.1 Authorised, issued and paid up shares before the Offer

That the authorized share capital of the company before the offer was TZS 4,840,000,000 divided into 4,840,000 ordinary shares of TZS 1,000 each, out of which a total of 2,700,300 shares were issued and fully paid up as shown in the table below:-

**Table 74: Shareholding before share split**

Name of shareholder	Number of shares held	Percentage of shares held
Michael N. Shirima	1,377,153	51%
Kenya Airways Limited	1,323,147	49%
<b>Total</b>	<b>2,700,300</b>	<b>100%</b>

On 15 July 2010, the Board of Directors' passed a resolution to do a par value share split from TZS 1,000 to TZS 20 each, thereby increasing the number of authorised shares from 4,840,000 to 242,000,000. As a result, the number of issued shares increased from 2,700,300 to 135,015,000. The shareholding structure after the share split (before the Offer) is as follows:

**Table 75: Share Capital after share split before the Offer**

Name of shareholder	Number of shares held	Percentage of shares held
Michael N. Shirima	68,857,650	51%
Kenya Airways Limited	66,157,350	49%
<b>Total</b>	<b>135,015,000</b>	<b>100%</b>

#### 13.2.2 Shareholding structure after the "offer for subscription"

The board passed a resolution on 15 July 2010 which approved a public offer for sale of 58,841,750 shares which will lead to the following shareholding:

**Table 76: Share capital after the split and Offer**

Name of shareholder	Number of shares held	Percentage of shares held
Michael N. Shirima	68,857,650	35.52%
Kenya Airways Limited	66,157,350	34.13%
Others	58,841,750	30.35%
<b>Total</b>	<b>193,856,750</b>	<b>100%</b>

## **13.3 EXTRACTS OF MEMORANDUM AND ARTICLES OF ASSOCIATION**

### **13.3.1 Memorandum of Association**

#### **Objects of the Company**

Clause 3 of the Memorandum of Association of the Company lists the objects of the Company. These include the following

- 3.1 To own, hire, operate and lease all kinds of aircraft and aircraft engines for charter, coach and scheduled air services;
- 3.2 To contract, undertake or negotiate and accept contracts or undertakings for air services and to charge, levy and accept payment for any such contract, undertaking executed or agree to be executed, oral or otherwise and apply any fund or other consideration as the Company shall in its absolute discretion determine;
- 3.3 To construct, equip, maintain, purchase and let, lease or hire aircraft and aircraft engines for the carriage of passengers or freight on charter or otherwise and to carry on the business of carriers by air;
- 3.4 To build, own and operate repair and maintenance shops and facilities, workshops or hangars for storing, repairing, maintaining, manufacturing, assembling any aircraft, aircraft engines and aviation equipment of any kind whatsoever;
- 3.5 To carry out the business of general carriers and forwarding agents, warehousemen, bonded warehousemen and carriers;
- 3.6 To carry out the business of manufacturers of, dealers in, hirers, repairers, cleaners, stores and warehouses of aircraft, aircraft engines and machines of all kinds capable of being flown in the air and used on land or sea and whether such machines are adapted for the carrying of goods or passengers or both;
- 3.7 To manufacture, deal in, hire, store and warehouse, all engines, machinery, implements appliances, apparatus, lubricants, solutions, enamels and all things capable of being used in connection with manufacture, repair, maintenance or working thereof;
- 3.8 To establish depots and agencies in any part of the world for securing traffic or cargo and freight or for the acquisition or disposal of any of the machines aforesaid;
- 3.9 To insure against every description of aviation, marine risks and aerial navigation risks which may legally be undertaken incidental to navigation, airplanes and crafts of all descriptions, and the freight, goods, merchandise, cargo, earnings, and property of the Company, or otherwise, howsoever, so far as the same may be effected or made according to law;
- 3.10 To carry on the business of travel agents, tour operators, organizers and to construct or acquire the necessary offices and buildings for furtherance of the business of the Company;

### **13.3.2 Articles of Association**

#### **Capital**

- Articles 10 As of the date of adoption of these Articles of Association the share capital of the Company is 4,840,000,000 Tanzanian shillings divided into 242,000,000 shares of TZS 20/- each.
- Articles 11 Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return or capital or otherwise as the Company may from time to time by ordinary resolution determine
- Articles 12 Subject to the provisions of section 61 of the Act, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company, are liable to

be redeemed on such terms and in such manner as the Company before the issue of the shares may by such ordinary resolution determine provided always that the total proceeds from the issue of preference shares shall not exceed the total proceeds from the issue of ordinary shares at any time. The rights attached to the preference shares shall include:

- a. the same rights as Members holding ordinary shares as regards receiving notice, reports and balance sheets and attending general meetings of the Company, but not the right to vote thereat except as provided in the next sub-paragraph;
- b. the right to vote at any meeting convened for the purpose of reducing the Company's share capital, or winding up, or a sanctioning a sale of the Company's undertaking, or where the proposition to be submitted to the meeting directly affect the rights and privileges of holders of preference shares, or when the dividend on the preference shares is in arrears for more than six (6) months.

Articles 13 The Company shall have powers to issue further preference capital ranking equally with or in priority to preference shares already issued.

### **Share Certificates**

Articles 20 Upon the shares of the Company being listed on the DSE every person whose name is entered as a Member in the Register shall be entitled, without payment, to receive in such form, within such time and in such manner as are provided for under the CDS Rules of the DSE one certificate for all his shares or several certificates each for one or more of his shares upon payment of TZS 1000 for every certificate, or such lesser sum as the Board shall from time to time determine. Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid up thereof, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

Articles 21 Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, lost, stolen or destroyed it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the Member or by a Licensed Dealing Member of the DSE acting on behalf of their client, as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery of the old certificate and in any case on payment of such sum not exceeding TZS 500 as the Directors may from time to time require. In case of destruction, loss or theft, a Member to whom such renewal certificate is given shall also bear the cost of the loss and pay the Company all expenses incidental to the investigations by the Company of the evidence of such destruction, loss or theft.

### **Transfer of Shares**

Article 33 The transfer of any share in the Company shall be in the form required by the CDS Rules and the DSE and shall be signed by the transferor. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. All instruments of transfer, when registered, shall be retained by the Company.

## **Transmission of Shares**

- Articles 38 In case of the death of a Member, the survivor or survivors where the deceased was a joint holder, and the personal representatives of the deceased where he was a sole holder, shall be the only persons recognized by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons. The transmission of any share in the Company shall be in the form required by the CDS Rules and the DSE.
- Articles 39 A person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, either elect to be registered himself as a holder of the share, or to have some person nominated by him registered as the transferee thereof, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy, as the case may be.
- Articles 40 If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating the he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by that Member.
- Articles 41 A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to exercise any right conferred by Membership in relation to meetings of the Company. The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share and, if the notice is not complied with within three months after the date of service thereof, the Board may, thereafter, withhold payment of all dividends and other moneys payable in respect of the share until compliance with the notice has been effected.

## **Conversion of Shares into stock**

- Articles 50 The Company may by ordinary resolution convert any paid up shares into stock, and reconvert any stock into paid up shares of any denomination.
- Articles 51 The holders of stock may transfer the same, or any part thereof, in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; and the Directors may from time to time fix the minimum amount of stock transferable but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

- Articles 52 The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regard dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets, on a winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
- Articles 53 Such of the Articles as are applicable to paid-up shares shall apply to stock, and the words "shares" and "shareholder" therein shall include "stock" and "stockholder".

### **General Meeting**

- Articles 58 The Company shall in each year hold a general meeting as its Annual General Meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the Directors shall appoint.
- Articles 59 All general meetings other than Annual General Meetings shall be called Extraordinary General Meetings.
- Articles 60 General Meetings shall be properly convened and held at such times as determined by the Board.
- Articles 61 The Directors may, whenever they think fit, convene an Extraordinary General Meeting, and Extraordinary General Meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by section 134 of the Act.

### **Notice of the General Meetings**

- Articles 62 Every General Meeting shall be called by twenty-one days notice in writing at the least.
- Articles 63 The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of the meeting and the nature of any special business that is to be transacted, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in General Meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from the Company. In every notice calling a General Meeting there shall appear, with reasonable prominence, a statement that a Member entitled to attend and vote thereat is entitled to appoint one or more proxies to attend and vote in his stead and that a proxy need not be a Member.
- Articles 64 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

### **Proceeding at General Meetings**

- Articles 65 All business shall be deemed special that is transacted at an Extraordinary General Meeting, and also all that is transacted at an

Annual General Meeting with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the reports of the Directors and auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of the Directors and the auditors.

- Articles 66 No business shall be transacted at any General Meeting unless a quorum is present when the Meeting proceeds to business. Save as otherwise provided by these Articles, twenty-five (25) Members present in person or by proxy or by attorney or, in the case of a corporation, represented in accordance with Article 85 shall be a quorum, provided that one Member holding the proxy of one or more other Members or one person holding the proxies of two or more Members shall not constitute a quorum.
- Articles 67 If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day at such other time and place as the Directors may determine, and it at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Members present shall be a quorum.
- Articles 68 The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company or if there is no such Chairman, or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act the Directors present shall elect one of their number to be chairman of the meeting.
- Article 69 If at any meeting no Director is willing to act as chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting the Members present shall choose one of their number to be chairman of the meeting.
- Article 70 The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjourned or of the business to be transacted at an adjourned meeting.

### **Votes of Members**

- Articles 76 Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Member who is present in person or by proxy or, being a corporation, is present by a representative appointed in accordance with Article 85 shall have one vote. On a poll every Member shall have one vote for each share of which he is the holder.
- Articles 77 No Member shall be entitled to receive any dividend or to be present at any General Meeting or to vote on any question, either personally or by proxy or, in the case of a corporation, by a representative appointed in accordance with Article 85, at any General Meeting or on a poll or to be reckoned in a quorum whilst any call or other sum shall be due and payable to the Company in respect of any of the shares held by him, whether alone or jointly



with any other person.

## Directors

- Articles 86 The number of Directors shall be not less than seven (7) and, unless and until otherwise determined by ordinary resolution of the Company in General Meeting, not more than nine (9) Directors (including the chairman).
- Articles 87 The appointment of Directors shall be as follows:
- a) For so long as it is a Member KA shall be entitled to nominate and appoint one Director to the Board for each part of its shareholding which represents ten per cent. (10%) in nominal value of the issued and fully paid share capital of the Company held by it, so that as of the date of adoption of these Articles KA shall be entitled to appoint three (3) Directors.
  - b) For so long as he is a Member MS shall be entitled to nominate and appoint one Director to the Board for each part of his shareholding which represents ten per cent. (10%) in nominal value of the issued and fully paid share capital of the Company held by him, so that as of the date of adoption of these Articles MS shall be entitled to appoint three (3) Directors.
  - c) A single Member who holds not less than 10 per cent. (10%) in nominal value of the issued and fully paid up share capital of the Company shall be entitled to nominate and appoint one Director to the Board (a "Minority Director") and Members who between them hold in the aggregate 10 per cent. (10%) in nominal value of the issued and fully paid up share capital of the Company shall be entitled to jointly agree in writing to nominate and appoint one Minority Director to the Board (the person or persons making such appointment shall be referred to as the "Minority Appointer(s)") provided that at any time no more than three (3) persons may be appointed as Minority Directors and then only if there are seats available on the Board having first taken account of:
    - (i) the rights of KA and MS to appoint persons as Directors;
    - (ii) the right of the Board to appoint the Managing Director under Article 115; and
    - (iii) the maximum number of Directors from time to time fixed by and in accordance with these Articles.
  - d) In the event that one or more Minority Directors has not been appointed pursuant to the provisions of Article 87(c) the Board shall have the right to appoint a person to be a Director (who shall be an independent non-executive Director) who shall remain in office until the next Annual General Meeting of the Company at which he would (pursuant to Articles 95-97) be required to stand for re-election) and at which a Minority Director is appointed in his place but if no Minority Director is nominated for appointment such independent Director shall be eligible for

re-election.

- e) KA, MS and the Minority Appointer(s) shall have the right from time to time to remove from the Board only those Director(s) that are appointed by them as they may deem fit, and to appoint a replacement and the appointer shall be responsible for and agrees with Company to indemnify and keep indemnified the Company on demand against all losses, liabilities and costs which the Company may incur arising out of, or in connection with, any claim by the Director arising out of the Director's removal.
- f) The Directors appointed by KA, MS and the Minority Appointer(s) shall have full voting rights at meetings of the Board.
- g) The appointment and removal of a Director appointed by KA, MS and the Minority Appointer(s) or the nominee of KA, MS and the Minority Appointer(s) to a committee of the Board shall be effected by written notice from KA, MS or the Minority Appointer(s) (as the case may be) to the Company which shall take effect on delivery at the Office or at any Board meeting or committee meeting thereof.

### Removal of Directors

- Articles 91 A Director shall vacate office as such if:
- (a) he is removed from office pursuant to the provisions of Article 92;
  - (b) he retires by rotation under Article 95 and is not re-elected at the Annual General Meeting;
  - (c) the Minority Appointer(s) who appointed him ceases to hold, alone or between them, at least 10 per cent. (10%) in nominal value of the issued and fully paid up share capital of the Company;
  - (d) he is removed from office by the Member or Members who appointed him;
  - (e) he ceases to be a Director by virtue of section 193 of the Act or by virtue of any provision of the CMS Act;
  - (f) he becomes bankrupt or makes an arrangement or composition with his creditors generally;
  - (g) he becomes of unsound mind; or
  - (h) he resigns his office by notice in writing to the Board.
- Articles 92 The Company may, by ordinary resolution, of which special notice has been given, or by special resolution, remove a Director from office, notwithstanding any provision of these Articles or of any agreement between the Company and such Director. The removal shall be without prejudice to any claim the Director may have for damages for breach of any such agreement. Subject to compliance with the provisions of Article 87, the Company may, by ordinary resolution, appoint another person in place of a Director so removed from office. In default of such appointment the vacancy so arising may be filled by the Board as a casual vacancy.
- Articles 93 No person other than a Director retiring at the Annual General Meeting, shall, unless recommended by the Board for election or

unless nominated by KA, MS or a Minority Appointer (as the case may be), be eligible for appointment as a Director at any Annual General Meeting unless, not less than seven or more than twenty-one days before the day appointed for the meeting, there shall have been handed to the Secretary notice in writing signed by some member, duly qualified to attend and vote at the meeting for which notice is given, of his intention to propose such person for election, together with a notice in writing, signed by the person to be proposed, of his willingness to be elected.

Articles 94 The Board shall have power to appoint a person to be a Director either to fill a casual vacancy or as an addition to the existing Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with these Articles provided that only KA shall be entitled to appoint a Director to fill a casual vacancy caused by the removal of a Director appointed by it and only MS shall be entitled to appoint a Director to fill the vacancy caused by the removal of a Director appointed by him and only the Minority Appointer(s) shall be entitled to appoint a Director to fill a casual vacancy caused by the removal of a Director appointed by them. Any Director so appointed shall hold office only until the dissolution of the next following Annual General Meeting unless he is re-elected during such meeting.

### **Managing Director**

Articles 115 The Board may from time to time appoint a person to the office of Managing Director for such period and upon such terms as it thinks fit and, subject to the provisions of any agreement entered into in any particular case, may revoke such appointment provided that the selection of the Managing Director shall have been approved by KA and MS prior to the appointment. The Managing Director may be one of the Directors appointed by KA or MS. The Managing Director so appointed shall not, while holding that office, be subject to retirement by rotation or taken into account in determining the rotation of retirement of Directors. The appointment of a Managing Director holding such office shall (without prejudice to any claim he may have for damages for breach of any contract of service between him and the Company) ipso facto determine if he ceases from any cause to be a Director.

### **Relationship with KQ**

Articles 134 For so long as KA continues to hold not less than 20% of the shares of the Company and in order to enable KA to exercise its role as a strategic airline partner of an investor in the Company the categories of decision or resolution of the Board set out in paragraphs (a) to (m) below shall be taken by the Board only if KA has agreed to them, and after due consultation has taken place on the matter between MS and KA in their respective capacities as anchor shareholders in the Company (such consultation to be made for so long as MS personally continues to hold not less than 20% of the shares of the Company). In deciding on such matters, KA shall act reasonably and not with a view to preventing the Company from operating its business in competition with KA. KA's approval of a matter shall be confirmed through the affirmative vote of the KA Directors. The applicable matters are:

- (a) the adoption or the amendment of the business

- plan and/or the annual budget of the Company;
- (b) the appointment or removal of the Managing Director/Chief Executive Officer and the Finance Director/Finance Director of the Company;
  - (c) the adoption of new or amendments to existing accounting and/or financial policies by the Company except as required by the laws of Tanzania or by International Financial Reporting Standards applicable to the Company from time to time;
  - (d) the adoption of new or amendments to existing procurement policies of the Company;
  - (e) the entry into, variation in any material respect, or termination of any code sharing agreements or alliances by the Company;
  - (f) the acquisition by the Company of any interest in another company providing air transport services;
  - (g) the acquisition of or formation of a subsidiary of the Company;
  - (h) the disposal of or dilution of the Company's interests, directly or indirectly, in any of its operating subsidiaries;
  - (i) the disposal of a substantial or major part of the business of the Company;
  - (j) the issue and incurring of long-term debt by the Company;
  - (k) any decision regarding route network expansion and alteration;
  - (l) the acquisition (including by way of lease), or the disposal, of all types of aircraft, aviation equipment and aircraft engines; and
  - (m) the negotiation of and entering into of alliances with other airlines.

### **Dividends and Reserves**

- Articles 138 The Company may, in General Meeting, declare dividends but no dividend shall exceed the amount recommended by the Board.
- Articles 139 The Board may, from time to time, pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company.
- Articles 140 No dividend shall be paid otherwise than out of profits.

### **Capitalisation of Profits**

- Articles 156 The Company in General Meeting may upon the recommendation of the Directors resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the Members who

would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but the applied either in or towards paying up any amounts for the time being unpaid on any shares or debentures of the Company to and allotted and distributed credited as fully paid up to and amongst such Members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution, provided that a share premium account and a capital redemption reserve fund may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to Members of the Company as fully paid bonus shares.

Articles 157 The Board may with the sanction of an ordinary resolution of the Company, and upon such terms and conditions as they shall think fit, resolve to offer to all Members the right to receive an allotment of additional fully paid shares ordinary shares in lieu of a cash dividend and, upon the election of a Member to receive such scrip dividend, may appropriate the net cash dividend to which such Member would otherwise be entitled and apply such sum in paying up in full unissued ordinary shares of the Company at such price as shall have been determined in accordance with the ordinary resolution sanctioning the scrip dividend and allot such ordinary shares credited as fully paid to those Members who shall have elected to receive the dividend in scrip.

Articles 158 Whenever a resolution in the terms of Articles 156 or 157 shall have been passed the Board shall make all such appropriations and applications of the undivided profits, allotments and issues of fully paid shares, income notes or debentures as may be required thereby and shall do all acts and things required to give effect thereto, with full power to the Board to acquire fractions or to make such provisions by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit for the case of shares or debentures becoming distributable in fractions, and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any shares, income notes or debentures to which they may be entitled upon such capitalisation or, as the case may require, for the payment up by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members.

### **Audit**

Articles 159 Auditors shall be appointed and their duties regulated in accordance with sections 170 to 179 of the Act

Articles 160 The Company's auditors shall make a report to the Members on all annual accounts of the Company of which copies are to be laid before the Company in General Meeting during their tenure of office.

### **13.4 MATERIAL CONTRACTS**

The Legal Opinion in section 11 lists material contract which arose in the ordinary course of business in which the Company is presently involved party. The Directors confirm that, apart from those contracts already disclosed therein, they are not

aware of any material contracts that may have material impact on the Company's financial position.

### 13.5 INSURANCE CONTRACTS

The Legal Opinion on section 11 lists insurance contracts which the Company has taken to insure itself against various kinds of risks. The Directors confirm that reasonable measures have been taken to make sure that all foreseen risks have been insured against.

### 13.6 ESTIMATED EXPENSES OF THE OFFER

**Table 77: Estimated expenses of the offer**

Cost Component	Company	Total
Lead transaction advisor's fees	Ernst & Young	85,000,000
Company Valuation	NIC Capital	22,500,000
Sponsoring broker's fees	Orbit Securities	58,000,000
Legal fees	CRB Africa Legal	20,000,000
Reporting accountant's fees	PKF	30,000,000
CMSA approval fees	CMSA	25,298,855
DSE listing fees	DSE	30,000,000
Collecting / Receiving agents' fees	Receiving Agents	611,954,200
CDS fees	DSE	10,000,000
Printing of prospectus and application forms	Majestic Printers	45,000,000
Advertising & PR	Century Advertising	61,000,000
Lead receiving bank	Stanbic Bank	50,000,000
Refund cheques		6,000,000
<b>Total expenses</b>		<b>1,054,753,055</b>

### 13.7 REGISTRATION OF THE PROSPECTUS

A copy of this prospectus was registered with the Registrar of Companies on 15 September 2011 in terms of section 49 of the Act.

### 13.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at Precision Air Services' business office at Quality Plaza, Nyerere Road, Dar es Salaam during usual working hours from 0900 on 7 October 2011 up to 1600 on 28 October 2011.

- a) The Memorandum and Articles of Association of the Company;
- b) The audited accounts of the Group for the financial year ended 31 March 2011 and for the four years preceding the publication of the prospectus;
- c) The signed legal opinion by CRB Africa Legal,
- d) The Accountant's Report by PKF;
- e) The approval for the offer for subscription, issue of shares and listing of shares from the CMSA and the DSE; and
- f) The written consent of Lead Advisors, Reporting Accountants and Legal Advisors named in this prospectus.

## APPENDIX I: AUTHORISED RECEIVING AGENTS



**CORE Securities Ltd.**  
Ground Floor, Twiga House  
Samora Avenue, DSM  
Tel: +255 22 212 3103  
Fax: +255 22 218 2521  
[info@coresecurities.co.tz](mailto:info@coresecurities.co.tz)



**Orbit Securities Co. Ltd.**  
3rd Floor, Twiga House  
Samora Avenue, DSM  
Tel: +255 22 211 1758  
Fax: +255 22 211 3067  
[orbit@orbit.co.tz](mailto:orbit@orbit.co.tz)



**Rasilimali Ltd**  
Consolidate Holding  
Corporation Building. Third  
Floor, Twiga House Samora  
Avenue, DSM  
Tel: +255 22 211 1708  
Fax: +255 22 212 2883  
[rasilimali@africaonline.co.tz](mailto:rasilimali@africaonline.co.tz)



**Solomon Stockbrokers Ltd**  
Ground Floor, PPF House  
Samora Avenue/ Morogoro  
Road, DSM  
Tel: +255 22 211 2874  
Fax: +255 22 213 1969  
[solomon@simbanet.net](mailto:solomon@simbanet.net)



**Tanzania Securities Ltd.**  
7th Floor, IPS Building  
Samora Avenue/ Azikiwe  
Str, DSM  
Tel: +255 22 211 2807  
Fax: +255 22 211 2809  
[tsl@muchs.ac.tz](mailto:tsl@muchs.ac.tz)



**Vertex International  
Securities Ltd.**  
Annex Building – Zambia  
High Commission  
Sokoine Drive / Ohio Street,  
DSM  
Tel: +255 22 211 6382  
Fax: +255 22 211 0387  
[vertex@vertex.co.tz](mailto:vertex@vertex.co.tz)



PO Box 72647,  
Cnr Kinondoni and Ali  
Hassan Mwinyi Roads, Dar  
es Salaam, Tanzania  
Tel. +255 022 211 2195,  
Fax + 255 022 211 3742,  
E-mail:  
[tanzaniatps@stanbic.com](mailto:tanzaniatps@stanbic.com)



**CRDB Bank Plc**  
Azikiwe Street,  
P.O. Box P.O. Box 268  
Dar es salaam.  
Gen Line: 022-2117442-7  
Email: [info@crdbbank.com](mailto:info@crdbbank.com)  
Website: [www.crdbbank.com](http://www.crdbbank.com)



**ZAN SECURITIES LIMITED**  
Muzammil Centre  
Malawi Road  
Box 2138 Zanzibar  
Tel: 024-233 8359  
Fax: 024-223 8358  
E-mail: [info@zansec.com](mailto:info@zansec.com)

## APPENDIX II: LIST OF INVESTMENT ADVISORS

### **Aureos Tanzania Managers Limited**

50, Mirambo Street, P.O. Box 8020  
Dar es Salaam  
Tel: 255 (22) 2112926 / 2114548  
E-mail: [mail@aureos.co.tz](mailto:mail@aureos.co.tz)

### **Orbit Securities Co. Ltd.**

3rd Floor, Twiga House  
Samora Avenue, DSM  
Tel: +255 22 211 1758  
Fax: +255 22 211 3067  
Email: [orbit@orbit.co.tz](mailto:orbit@orbit.co.tz)

### **Tanzania Securities Ltd.**

7th Floor, IPS Building  
Samora Avenue/ Azikiwe Str, Dar es Salaam.  
P.O. Box 9821, Dar es Salaam  
Tel: +255 22 211 2807  
Fax: +255 22 211 2809  
Email: [tsl@muchs.ac.tz](mailto:tsl@muchs.ac.tz)

### **Barclays Bank Tanzania Limited**

Barclays House, Ohio Street  
P.O. Box 5137  
Dar es Salaam  
Tel:+255 222129381/2129758

### **Standard Chartered Bank Tanzania Limited.**

International House  
Shaaban Robert St/Garden Avenue  
P.O. Box 9011, Dar es Salaam.  
Tel: +255 22 2122160/2122162

### **African Banking Corporation**

Barclays House, 1<sup>st</sup> Floor  
Ohio Street/Ally Hassan Mwinyi Road  
P.O. Box 31, Dar es Salaam.  
Tel: +255 22 2119302-4

### **Rasilimali Ltd**

Consolidate Holding Corporation Building.  
Third Floor, Twiga House Samora Avenue,  
DSM  
Tel: +255 22 211 1708  
Fax: +255 22 212 2883  
[rasilimali@africaonline.co.tz](mailto:rasilimali@africaonline.co.tz)

### **Consultants For Resources Evaluation**

Ground Floor, Twiga Building, Samora Avenue,  
P.O. Box 23227, Dar es Salaam.  
Tel: +255 22 2125147

### **Unit Trust of Tanzania**

3<sup>rd</sup> Floor, Sukari House, Sokoine Drive/Ohio Street,  
P.O. Box 14825, Dar es Salaam.  
Tel:+255 22 212 2501/213 7592  
E-mail: [uwekezaji@utt-tz.org](mailto:uwekezaji@utt-tz.org)  
Website:[www.utt.tz.org](http://www.utt.tz.org)

### **Ernst & Young Advisory Services**

Utalii House, 36 Laibon Road  
Oysterbay, P.O. Box 2475, Dar es Salaam  
Tel:+255 22 266 6853,266 7659  
E-mail: [Info.tanzania@tz.ey.com](mailto:Info.tanzania@tz.ey.com)

### **Deloitte Consulting Limited**

10<sup>th</sup> Floor, PPF Tower,  
Ohio Street/Garden Avenue,  
P.O. Box 1559, Dar es Salaam.  
Tel:+255 22 2116006/2115352  
E-mail: [deloitte@deloitte.co.tz](mailto:deloitte@deloitte.co.tz)

### **CAD Securities Limited**

3<sup>rd</sup> Floor, NSSF Mwalimu Nyerere Pension Tower,  
Bibi Titi/Morogoro Road,  
P.O. Box 11488, Dar es Salaam.  
Tel:+255 22 212 3030  
E-mail: [info@cadsecurities.com](mailto:info@cadsecurities.com)

### **LJK Konsulting LTD,**

Harbour view Towers 8th floor,  
Samora Avenue  
P.O. Box 20651 Dar es Salaam  
Tel 255-22-2124383  
Fax 255212433



**APPENDIX III: LIST OF BRANCHES FOR STANBIC THAT WILL BE USED AS RECEIVING AGENTS DURING THE PRECISION AIR SERVICES SHARE OFFER**

Branch name	Address	Location	District	Tel. Number	Fax. Number	
<b>Dar es Salaam Branches.</b>						
1	Mayfair Branch	P.O. BOX 105782	Old Bagamoyo rd	Kinondoni	+255 2773843/44/46	+255 222773847
2	Kariakoo Branch	P.O. BOX 6437	Narung'ombe street	Ilala	+255 22 2184940-42	+255 22218493
3	Industrial Branch	P.O. BOX 9992	Nyerere Road	Temeke	+255 22 2865362-3	+255 222865384
4	Main Branch	P.O. BOX 72647	Ohio Street	Ilala	+255 22 211 2195-8	+255 222113742
5	Centre Branch	P.O. BOX 72647	Corner of Ali Hassan and Kinondoni Road	Kinondoni	+255 22 266430	+255 22 266431
<b>Other Branches</b>						
6	Moshi Branch	P.O. BOX1435	Mwenzi road	Moshi Town	+255 27 2754409/483	+255 272754535
7	Bulyanhulu Branch	Bugarama/Ilogi	Kahama	Shinyanga	+255 785828167	+255 22 266431
8	Arusha Branch	P. O BOX3062	Sokoine drive	Arusha Town	+255 27 2509713-6	+255 272508809
9	Mbeya Branch	P. O Box 147	Karume road	Mbeya town	+255 25 21113742	+255 250038081
10	Mwanza Branch	P.O. BOX 3064	NYERERE ROAD	Nyamagana	+255 28 2500 948/473	+2552825000492

**APPENDIX IV: LIST OF BRANCHES THAT HAVE BEEN APPOINTED AS SUB RECEIVING AGENTS FOR CRDB DURING THE PRECISION AIR SERVICES SHARE OFFER**

Branch	Region	Postal Address	Fax Number	Telephone Number
<b>Dar es Salaam</b>				
Azikiwe	Dar es Salaam	Box 72344	022 2113660	022 2124556 / 2124558 / 2137469
Azikiwe Premier	Dar es Salaam	Box 9531	022 2133715 / 2200071	022 2133712 / 13 / 14 / 16
Holland House	Dar es Salaam	Box 71960	022 2110691	022 2123297 / 2110690 / 2112769 / 2133871
Kariakoo	Dar es Salaam	Box 15626	022 2182848	022 2180051 / 75 / 2183138
Kijitonyama	Dar es Salaam	Box 34654	022 2772074	022 2771987 / 2771989
Lumumba	Dar es Salaam	Box 2318	022 2182334	022 2180079-81 / 2184751 / 2180387
Mbagala	Dar es Salaam	Box 100134	0732 993441	0732 993440
Mbezi Beach	Dar es Salaam	Box 33928	022 2618066	022 2618063 / 64 / 65
Mikocheni	Dar es Salaam	Box 34022	022 2923025	022 2923026 - 8
Mlimani City	Dar es Salaam	Box 35407	022 2411045	022 2411050 / 47
Pugu Road	Dar es Salaam	Box 40292	022 2860875	022 2860873-4
Tower	Dar es Salaam	Box 2302	022 2129604	022 2129603 / 2126762 / 64
UDSM	Dar es Salaam	Box 110138	022 2410576	022 2410575
Vijana	Dar es Salaam	Box 10876	022 2181687 / 2181755	022 2184566 / 2181453 / 2184634
Water Front	Dar es Salaam	Box 71936	022 2126299	022 2126402 / 7 / 8
<b>Upcountry Branches</b>				
Arusha	Arusha	Box 3150	027 2547089	027 2507239 / 2507241
Bariadi	Shinyanga	Box 405	028 2700120	028 2700101 / 2700091
Bugando	Mwanza	Box 5185	028 2500105	028 2500050
Bukoba	Bukoba	Box 1804	028 2220909	028 2220081 / 2221130 / 2220480
Dodoma	Dodoma	Box 401	026 2322841	026 2322840 / 2322842
Dodoma University	Dodoma	Box 1879	026 2310101	026 2310100
Geita	Geita, Mwanza	Box 348	028 2520308	028 2520304 / 2520302
Hai	Hai	Box 96	027 2756190	027 2756916
Iringa	Iringa	Box 168	026 2702861	026 2702862 / 2702795
Kahama	Kahama	Box 609	028 2710086	028 2710049 / 2710026
Karagwe	Karagwe	Box 504	028 2227084	028 2227084
Kibaha	Kibaha	Box 30424	023 2402144	023 2402145 / 46
Kigoma	Kigoma	Box 575	028 2804356	028 2802249 / 2804730
Kilombero	Kidatu, Morogoro	Box 351	023 2626549	023 2626547-8
Korogwe	Korogwe,	Box 268	027 2640661	027 2640666
Lindi	Lindi	Box 266	023 2202385	023 2202385 / 2202254
Mandela	Morogoro	Box 150	023 2613746	023 2600505
Mapato	Arusha	Box 3132	027 2544026	027 2544007
Marangu	Marangu, Kilimanjaro	Box 239	027 2758720	027 2758750

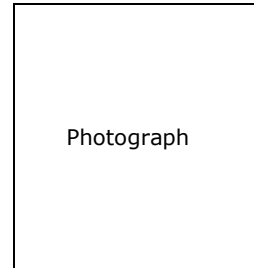
Branch	Region	Postal Address	Fax Number	Telephone Number
Mazimbu	Morogoro	Box 1470	023 2600698	023 2600697 / 98
Mbaliza	Mbeya	Box 4640	025 2560155	025 2560154
Mbeya	Mbeya	Box 315	025 2504315	025 2504367 / 2504389
Mbinga	Mbinga, Ruvuma	Box 2	025 2640067	025 2640056
Mbozi	Mbozi, Mbeya	Box 642	025 2580105	025 2580102
Meru	Arusha	Box 3132	027 2548315	027 2544313
Mkwawa	Iringa	Box 177	026 2700127	026 2700128
Mpanda	Rukwa	Box 226	025 2820473	025 2820471
Morogoro	Morogoro	Box 352	023 2614403	023 2613676 / 2614405
Moshi	Moshi	Box 1302	027 2751005	027 2750671 / 2753822
Mtwara	Mtwara	Box 182	023 2333572	023 2333572 / 2333466
Musoma	Musoma	Box 386	028 2622891	028 2622484 / 2622192
Mwanza	Mwanza	Box 1330	028 2500040	028 2500053 / 2500224
Mwanjelwa	Mbeya	Box 1785	025 2500337	025 2500435 / 2500446
Mzumbe	Mzumbe	Box 49	023 2600568	023 2600043
Njombe	Njombe	Box 947	026 2782872	026 2782871
Nyanza	Mwanza	Box 5185	028 2505013	028 2505006 / 7 / 12
Nyerere	Mwanza	Box 1853	028 2500849	028 2500848 / 2500457
Shinyanga	Shinyanga	Box 397	028 2762297	028 2763421 / 2763153
Singida	Singida	Box 135	026 2502357	026 2502435 / 2502619
Songea	Songea	Box 121	025 2602961	025 2602962-3
SUA	Morogoro	Box 352	023 2601154	023 2601154
Sumbawanga	Sumbawanga	Box 367	025 2802342	025 2802165 / 2802266
Tabora	Tabora	Box 889	026 2604451	026 2604035 / 2604476
Tanga	Tanga	Box 1180	027 2644270	027 2644353 / 2647763
Tarime	Tarime	Box 222	028 2690077	028 2690008
USA River	Usa River, Arusha	Box 355	027 2541106	027 2541108 / 2541110
Zanzibar	Zanzibar	Box 1846 Zanzibar	024 2238184	024 2238187 / 2238183 / 2231374 / 2231574
Agencies				
Bunge	Dodoma	Box 401	026 2322841	026 2320007
Mabibo Hostel	Dar es Salaam	Box 110138	022 2451836	022 2451836
TBL	Dar es Salaam	Box 10876	022 2181297	022 2181297
TRA	Dar es Salaam	Box 71936	022 2120905	022 2136582
TPC	Moshi	Box 1302	027 2751005	027 2758774

## APPENDIX V: SHARE APPLICATION FORM

### Precision Air Services

Fill this Application Form if you wish to apply for Shares in Precision Air Services Ltd

- Please read the prospectus dated 12 September 2011
- Follow the instructions to complete this Application form (see reverse)
- Print clearly in capital letters using black or blue pen.



FOR OFFICIAL USE ONLY		
<b>Serial Number:</b>	<b>Agent Name:</b>	<b>Agent Code No &amp; Stamp:</b>

Batch Header No:	
------------------	--

#### I. APPLICANT

**\*Type of Investor**      **Individual**     **Company**     **Joint**     **Minor**   
**Nationality**            **Tanzania**     **Non- Tanzania**

#### DETAILS

Individual Applicants											
1. Title: Mr. /Mrs. /Ms.											
2. Surname of applicant(s)											
3. First name(s) of applicant(s) in full											
4. Middle Name in full											
5. ID/Passport											
6. Postal address (Print only one address to which all correspondence and/or dividends may be sent)											
7. Contact Details	Tel No									Email	
Corporate Applicants											
8. Name of Entity											
9. Registration Number											
10. Postal Address											
11. Contact Details	Tel No									Email	
Parent or Legal Guardian											
12. Surname or Name of Entity											
13. First name(s) in full (Individuals ONLY)											
14. Middle Name in full (Individuals ONLY)											
15. ID/Passport or Company Registration Number											

#### II. APPLICATION DETAILS

16. Shares applied for (Note: Minimum application is 200 shares and in multiple of 100 shares thereafter)			
(a) Number of shares (in figures)	(b) Share price per share (TZS)	(c) Total Amount Payable (TZS)	(d) Applicant CDS Acc. No.

#### III. PAYMENT DETAILS AND DISPOSAL INSTRUCTIONS

17. Mode of payment	Cash <input type="checkbox"/>	Banker's Cheque <input type="checkbox"/>	Direct debit <input type="checkbox"/>
18. Banker's Cheque Details	Banker's Cheque Number:		Issuer :
19. DSE CDS Receipt	Agent <input type="checkbox"/>		Post <input type="checkbox"/>
20. Mode of refund	Agent <input type="checkbox"/>		Banker <input type="checkbox"/>
21. Mode of receiving future dividends	Bank <input type="checkbox"/>		Post <input type="checkbox"/>
22. Bank Details (Only for Refunds and/or Future Dividends by Direct Credit to Bank Account - if any)			
Bank Name		Branch Name	
Account Name			
Account Number			

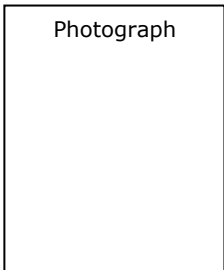
**APPLICANTS' DECLARATION**

By signing and submitting this Application Form, I/We declare that:

- I/We (or the guardian signing this application on behalf of the minor), being above 18 years of age have read the terms and conditions of application set out in the Prospectus dated 12 September 2011 and agree to be bound by its contents.
- I/We are not acquiring the shares as a nominee of any other person other than myself/ourselves;
- I/We agree to accept the same or smaller number of shares in respect of this application as may be allotted by Precision Air Services subject to and in accordance with the terms of Memorandum and Articles of Association of Precision Air Services;
- I/We understand that multiple or suspected multiple applications may be aggregated and treated as a single application or rejected in their entirety;
- I/We confirm making payment by cash, bank transfer or banker's cheque in favour of **"Precision Air Services Public Offer"** for the appropriate amount due in terms of this application;
- I/We accept that the accuracy of the information provided is my/our sole responsibility and for any essential information that is required for the application process that I/We may not have provided may be incorporated by the selling agent, as may be appropriate;
- I/We agree to receive our share depository receipt as indicated on the application form; and
- I/We understand and accept that this Prospectus does not constitute an offer, but is an invitation to me/us to make an offer to Precision Air Services to purchase ordinary shares and that Precision Air Services Ltd has the sole authority of determining whether to accept or reject this offer subject to CMSA approval.

Signature..... Signature..... Company Stamp/Seal  
Date.....

**IV. ACKNOWLEDGEMENTS SLIP (Retain for your records) Serial Number**



Names of applicant or Institution	CDS Acc. No	Total shares requested	Total payment

Mode of payment	Cash	Banker Cheque - No	Direct debit - Ref No.

Agent Code	
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Received by : \_\_\_\_\_ Location/Branch: \_\_\_\_\_

Date Received & Stamp : \_\_\_\_\_ Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

## GUIDE TO APPLICATION FORMS

### YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using **BLOCK LETTERS**.

These instructions are cross-referenced to each section of the Application Form.

#### APPLICANT DETAILS (INDIVIDUAL APPLICANTS DETAILS)

1. In the **Title** section indicate the appropriate title;
2. In the **Surname** section, please fill in your last or family name or company name if applying as a Tanzanian Company;
3. In the **First Name** section, please fill in your given first name;
4. In the **Middle Name** section, please fill in your given Middle name;
5. In the **ID/Passport** section, please fill in your identification Card number or your Passport number;
6. In the **Postal Address** section, please fill in the address to which you would like any refund payment (if one is due) or depository confirmation and any future notification to be delivered to. A refund may be made if we have to allot to you less shares than you applied for;
7. In the **Contact Details** section, please fill in your telephone/mobile number and/or your email address ONLY if you have one; \* In the **Type of Investor** section, please tick the appropriate box that describes you; if you have selected "Minor" please complete Parent/Legal Guardian Details in **No.12 to No.15**

#### APPLICANT DETAILS (CORPORATE APPLICANT DETAILS)

8. In the **name of the entity** section, please indicate the name of the company;
9. In the **Company Registration Number**, please fill in the company identification number registered under Business Registration and Licensing Authority (BRELA) for Tanzanian Company only;
10. In the **Postal Address** section, please fill in the address to which you will communicate with the issuer for any future correspondences;
11. In the **Contact Details** section, please fill in the company's telephone number and/email address

#### APPLICANTS DETAILS (CORPORATE APPLICANT DETAILS )

12. In filling in the application details:
  - a) Please enter the number (in figures) of shares you wish to buy. Note that the minimum number you can apply for is 200 shares and thereafter in multiples of 100;
  - b) The number indicates the prices per share;
  - c) Enter the total value of all the shares for which you have applied i.e. multiply the number of shares in (a) with the price in (b). For example, if you applied for 600 shares, the value will be 600 x TZS 475 for a total value of TZS 285,000.
  - d) Provide CDS Account No.

#### PAYMENT DETAILS

16. In the **Mode of Payment** section, please tick in the box indicating the means by which you are paying for the shares (ONLY ONE method of payment is permitted);
17. In the **Bankers Cheque Details** section, please write the bankers cheque number and name of the issuer
18. In the **DSE CDS Receipt** section, please tick the box indicating the means by which you would like to receive your depository receipt;
19. In the **Mode of Refund** section, please tick the box indicating the means by which you would like to receive your refund (if one is due)
20. In the **Mode of Receiving Future Dividends** section, please tick the box indicating the means by which you would like to receive your dividends (if one is due)
21. Do not fill this part if you do not have a bank account or if you do not want either your refund or future dividend (if one is paid) through your bank account.

#### FURTHER TERMS AND CONDITIONS

1. Applications may be made ONLY on this application form – photocopies or other reproductions will be rejected;
2. Applications are Irrevocable and may not be withdrawn once submitted to a receiving bank or a stockbroker;
3. Applicants should consult their stockbroker or the receiving bank in case of doubt as to the correct completion of this form;
4. Applications will only be regarded as complete when the value has been received. All monies will be deposited for payment immediately on receipt;
5. If any payment is dishonoured for whatever reason, the relevant application may be regarded as invalid or other steps may be taken in this regard as may be deemed fit;
6. All alterations to the application form must be authenticated by the applicant's signature;
7. The application form and payment or proof of payment is to be received by no later than **1600 hours on 28 October 2011. LATE APPLICATIONS WILL NOT BE ACCEPTED;**
8. Tanzanian persons and Non-Tanzanian person are allowed to participate in this offer. However, ownership by Non-Tanzanians persons will be restricted to 49%.
9. In case of companies two signatories MUST endorse the form and stamp
10. Applicant Detachable section should be stamped by the Agent