



PRECISION AIR INITIAL PUBLIC OFFER AND LISTING ON THE DSE

Offer for Sale:

Orbit Securities Co. Ltd. (ORBIT) as Sponsoring Broker to Precision Air Services Plc (PAS) IPO and a Receiving Agent is pleased to introduce this Public Offer for you to subscribe by buying PAS shares opened to the Public. The offer for subscription is open to all Tanzania persons and non-Tanzanian persons.

Price and shares Offered

The Public Offer is for sale of 58,841,750 shares valued around Tshs. 28.0 billion. The offer price per ordinary share is Tshs. 475.00 which is offered at a discount of 11.6%. According to the Share Valuation Report conducted by NIC CAPITAL Kenya (July 2011) PAL shares are valued at Toss. 537.64 Per share. Market Capitalization of the company at the offer price is Tshs.92billion (US \$56.49Million). Please note that, there is no payment of brokerage commission by an Applicant for the IPO.

Allocation Policy:

The offer for subscription is open to all Tanzanian persons and non-Tanzanian persons and allotment is on prorata basis.

Commencement of the Offer:

The offer opens on 7th October 2011 and will run for three weeks and therefore the closing date is 28th October 2011. Listing and commencement of trading of shares at the DSE is slated on 8th December 2011.

Overview of Precision Air:

Precision Air Service commenced operations in 1993 providing private Air Charter Services to tourists within Tanzania. Overtime, the PAS later expanded its network leading to it being the biggest Airline within Tanzania and now controls about 65% of the market share. The airline provides air charter, cargo services and scheduled flights.



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With the rapid expansion with the Tanzania market and regional growth, PAS assets have grown from Tshs. 23.9billion in 2006 to Tshs. 239.7billion in 2011. Share-holders funds have grown from Tshs 3.7billion in 2007 to Tshs 16.0billion in 2011. Similarly, operating profit has grown from Tshs. 7.74billion to Tshs. 11.92billion for the past five years. The strategic partnership with Kenya Airways entered in 2003 has transformed Precision Air Services Ltd. into a professionally run modern regional airline.

Shareholding structure

Share Capital before the offer

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%
Total	2,700,300	100%

Share Capital after the Offer

Name of shareholder	Number of share held	Percentage shareholding
Michael N. Shirima	68,857,650	35.52%
Kenya Airways Limited	66,157,350	34.13%
Public	58,841,750	30.35%
Total	193,856,750	100%



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Precision Air Financial Summary

5 Year historical income statement and balance sheet

(Tzs'000) For fiscal year ended 31 March

	2007	2008	2009	2010	2011	
INCOME STATEMENT						
Revenue	54,341,011	57,987,577	84,344,352	92,493,357	113,605,908	Attractive double digit growth rates
% Growth		7%	45%	10%	23%	
Cost of sales	-35,782,233	-38,840,757	-61,076,770	-60,190,813	-70,121,988	
gross profit	18,558,778	19,146,820	23,267,582	32,302,544	43,483,920	Gross Margin has grown to 38% in 2011
%Margin	34%	33%	28%	35%	38%	
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	
Operating profit	7,745,994	3,951,430	6,443,584	9,152,998	11,925,887	Maintananed operating profit margin of 10% growth rate
%Margin	14%	7%	8%	10%	10%	
Finance costs	-830,852	-751,160	-3,095,845	-5,916,323	-7,635,436	
Gain(loss) on foreign currency	-1,381,439	2,470,491	-529,741	-3,236,675	-4,290,451	
Profit before tax	5,533,703	5,670,761	2,817,998	1,923,539	2,159,194	Net profit Margin declined due to increased financing costs for expansion(hence issue of new shares)
Tax	0	-4,008,366	53,192	864,569	-874,079	
Net Profit	5,533,703	1,662,395	2,871,190	2,788,108	1,285,115	
% Margin	10%	3%	3%	3%	1%	
BALANCE SHEET						
Assets						
Property, plant and equipment	12,775,072	32,930,172	60,890,481	129,540,276	206,762,850	
Other current & noncurrent assets	13,452,932	25,872,649	40,494,270	33,182,221	24,096,689	
Cash & short term deposit	844,740	894,868	5,020,815	4,817,205	8,857,140	Consistence growth in assets
Total assets	27,072,744	59,697,689	106,405,566	167,539,702	239,716,679	
Total equity	9,385,975	11,027,004	13,898,194	20,578,824	15,442,569	
Total borrowing	5,999,740	30,893,166	50,401,791	105,982,990	184,476,961	
Other current & non current Liabilities	11,687,029	61,467,075	47,043,735	88,021,623	39,797,149	Debt has been used as a source of capital
Total Liabilities	17,686,769	48,670,685	92,507,372	146,960,878	224,274,110	
Total equity & Liabilities	27,072,744	59,697,689	106,405,566	167,549,702	239,716,679	



Achievement of Precision Air (PAS)

As at August 2011, the Airline has achieved among others, the following:

- Reputation for on time performance 90% as per IATA standards
- Widest network in the country, currently operating into 16 destinations both domestic and regional. Domestic routes are Dar es Salaam, Arusha, Kilimanjaro, Mwanza, Shinyanga, Bukoba, Tabora, Kigoma, Mtwara, Musoma and Zanzibar and Regional destinations are Nairobi, Mombasa, Entebbe, Comoros and South Africa.
- Self handling at Nyerere International Airport Dar es Salaam and Kilimanjaro International Airport.
- Fleet size of 11 Aircrafts, namely five ATR 72 (70 seater); four ATR 42 (48 seater) and two B737-300 (116 seater).
- The Airline uplifts an average of 55,000 passengers a month and close to 700,000 passengers annually.

Precision Air Prospects and use of proceeds

The Airline plans to establish international routes to Zambia, Mozambique, and Democratic Republic of Congo. The funds to be raised from the IPO would largely be used to finance the airlines fleet and route expansion plans as stipulated below:

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 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
Total	26,900,000



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Subscription and Offer Document

The Prospectus has already been approved by the Regulator (CMSA) and can be obtained in Electronic Form or by visiting our office for the hard copy. Please contact our team to get more information on the Offer.

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ORBIT welcome all investors both local and foreigners to actively participate in the IPO. We wish you luck as you fly with Precision Air to a successful IPO.

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