



## **TANZANIA CIVIL AVIATION AUTHORITY**

*Aviation Safety and Efficiency. Our Commitment. In Partnership*



**ANNUAL REPORT FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE, 2011**



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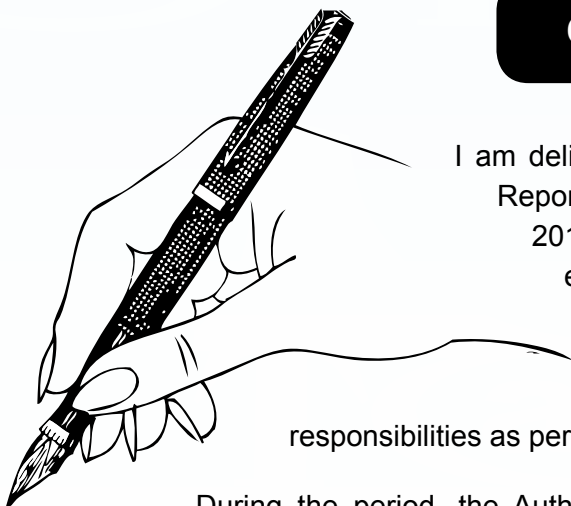
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## LIST OF ABBREVIATIONS

ACC	Area Control Centre
AFCAC	African Civil Aviation Commission
AFI	Africa-Indian Ocean Region
AIP	Aeronautical Information Publication
AMEs	Aircraft Maintenance Engineers
AMOs	Aircraft Maintenance Organizations
ANS	Air Navigation Services
AOC	Air Operators Certificate
ATCL	Air Tanzania Company Ltd
ATCOs	Air Traffic Control Officers
ATM	Air Traffic Management
ATS DS	Air Traffic Services Direct Speech
AVSEC	Aviation Security
AWOS	Automated Weather Observation System
BASA	Bilateral Air Service Agreement
CASSOA	Civil Aviation Safety and Security Oversight Agency
CATC	Civil Aviation Training Centre
CCC	Consumer Consultative Council
CCs	Compliance Checklists
CMCC	Civil Military Coordination Meeting
CNS	Communications, Navigation and Surveillance
CVOR	Conventional Very High Frequency Omni-Directional Radio Range
DME	Distance Measuring Equipment
DVOR	Doppler Very High Frequency Omni-directional Radio Range
EAC	East African Community
EIB	European Investment Bank.
ENAC	French Institute of Civil Aviation Training
ERB	Engineers Registration Board
FAA	Federal Aviation Administration
FPL	Flight Plan
FIR	Flight Information Region
GDP	Gross Domestic Product
GHRs	Ground Handling Regulations
GPS	Global Positioning System
HF	High Frequency
IASA	International Aviation Safety Assessments/Audit
IATA	International Air Transport Association

ICAO	International Civil Aviation Organisation
ICT	Information Communication Technology
IET	Institute of Engineers of Tanzania
ISO	International Standard Organisation
JNIA	Julius Nyerere International Airport
KIA	Kilimanjaro International Airport
KRA	Key Results Area
NAFISAT	North-Eastern Africa and Indian Ocean Region VSAT Network
NACTE	National Council for Technical Education
NC	National Coordinator (for ICAO USOAP)
NDB	Non-Directional Radio Beacon
NOF	International NOTAM Office
NOTAM	Notification to airman
OJT	On-the-Job Training
OPRAS	Open Performance Review and Appraisal System
PPRA	Public Procurement Regulatory Authority
RCC	Rescue Coordination Centre
RSC	Rescue Sub-Coordination Centre
RVSM	Reduced Vertical Separation Minimum
SAR	Search and Rescue
SIDS	Standard Instruments Departure Routes
SSI	Station Standing Instructions
SMS	Safety Management System
SWOT	Strengths, Weaknesses, Opportunities and Threats
TAISOA	Tanzania Aeronautical Information Officers Association
TANEEA	Tanzania Air Navigation and Electronics Engineers Association
TANRs	Tanzania Air Navigation Regulations
TATCA	Tanzania Air Traffic Controllers Association
TCARs	Tanzania Civil Aviation Regulations
UFIR	Unified Upper Flight Information Region
UACC	Upper Area Control Centre
USAP	Universal Security Audit Programme
USOAP	Universal Safety Oversight Audit Programme
VSAT	Very Small Aperture Terminal
VCCS	Voice Communication and Control System
VHF	Very High Frequency
VOR	Very High Frequency Omni-directional Radio Range
WAN	Wide Area Network
YD	Yamoussoukro Decision

## CHAIRMAN'S STATEMENT



I am delighted once again to present the Authority's Annual Report and Audited Accounts for the year ended 30 June, 2011. This is the eighth report since the Authority was established in November 2003. This gives me another opportunity to highlight to our stakeholders the steady progress made by the Authority during the past year and how it has discharged its duties and responsibilities as per its mandate.

During the period, the Authority continued to implement its second Five Year Strategic Plan, as well as the associated Business Plan and Budget. Emphasis has been in consolidating the achievements made under the first Five Year Plan, with a view to steering the Authority into a more effective and efficient organization by bench-marking its services against best practices.

With regard to safety, in overall terms, the industry was relatively safe during the period although there were twelve incidents/accidents reported as compared to thirteen incidents/accidents in 2009/10, which is a decrease of about 8%. The Authority continued to implement its State Safety Program (SSP), as well as Safety Management System (SMS), in order to improve aviation safety in the country. However, effective implementation of SSP and SMS was adversely affected by delay in issuance of guidance materials by ICAO.

With regard to economic regulatory framework, the Authority embarked on the revision of Air Service Licensing and Ground handling Regulations. The Reviews were necessitated by challenges faced in the implementation of these regulations. Furthermore, the objective of the review was to ensure that economic regulatory activities act as a catalyst rather than an impediment to aviation development in the country.

Financially, the Authority again recorded a modest surplus, which was used to augment its Special Account, staff development and capital expenditure. However, the major challenges facing the Authority are to have adequate financial resources to fund its now expanded mandate, contribution to the national budget and having in place adequate and modern air navigation infrastructure.

On behalf of the Board of Directors, I wish to thank all our stakeholders for their continued cooperation and commend the Management and Staff for working together as a team. This has enabled the Authority to achieve the positive results as highlighted in the Report.

A handwritten signature in blue ink, appearing to read 'Mwatumu J. Malale'. The signature is fluid and cursive, with a large initial 'M' and 'J'.

**Mwatumu J. Malale**  
Chairman of the Board of Directors

## DIRECTOR GENERAL'S STATEMENT

During the year ended 30 June 2011, the Authority continued to provide safety, security and economic oversight of the aviation industry, as well as, the provision of air navigation services. The Authority activities during the year were in line with the 2009/10 - 2013/14 Strategic Plan, whose primary focus is to ensure safe, secure, regular and sustainable civil aviation industry.

With regard to safety, the Authority inspected 36 operators and issued Air Operators Certificate (AOC), out of 38 operators expected. Further, 120 aircraft, out of 186 expected were inspected for renewal of certificate of airworthiness. Also, 11 aircraft operators training facilities, including synthetic flight trainers, were inspected.

Economic oversight function continued with the review of the Tanzania Civil Aviation (Ground Handling Services) Regulations, 2007. The Authority also started the process to review the Tanzania Civil Aviation (Licensing of Air Services) Regulations, 2006.

Passenger traffic increased from 2,865,103 passengers in 2009/10 to 3,255,364 passengers in 2010/11, recording a growth of 13.6%. Aircraft movements increased from 170,777 movements to 176,420 movements in the same period, recording a growth of 3.3%. Cargo traffic on the other hand, grew from 24,940.7 tons to 36,673.9 tons in 2009/10 and 2010/11 respectively.

With respect to air navigation services, air traffic control services continued to be provided at the TCAA 13 Stations as per Business Plan. Also, Aeronautical Search and Rescue operations in Dar es Salaam Flight Information Region (FIR) continued to be coordinated by the Authority. In view of this Rescue Coordination Centre at JNIA was constantly in the state of preparedness for immediate action, in terms of facilities and data, as well as trained personnel.

Finally, I would like to take this opportunity to express my sincere appreciation to the Authority's stakeholders for their cooperation, which has enabled the civil aviation industry's performance to generally improve during the period, compared to the previous year.



**Fadhili J. Manongi**

Director General

## OPERATIONAL PERFORMANCE

During the period 2010/11, the performance of the Authority, measured against set targets was satisfactory. All key results areas of the organisation registered reasonable achievement.

### 1.0 SAFETY AND SECURITY REGULATION

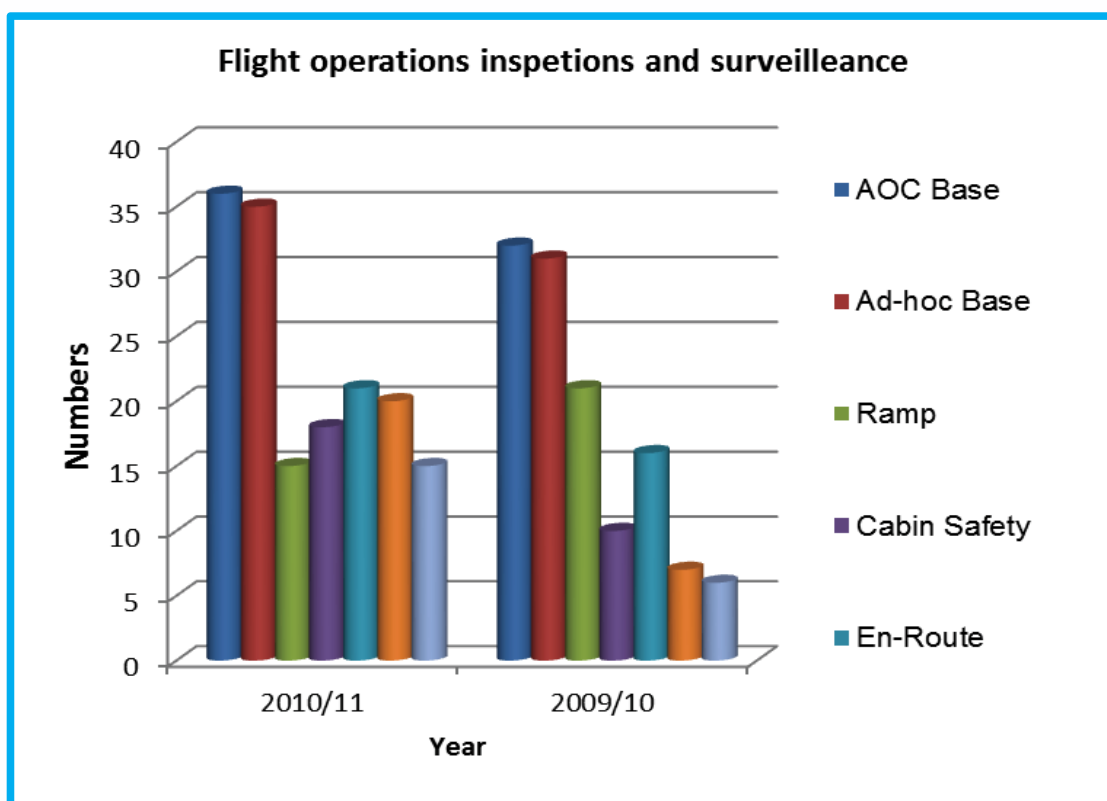
Various activities that were planned during the period for implementation and enforcement of the Tanzania Civil Aviation Regulations (TCARs) 2006 to ensure a compliant industry were carried out. The following figures indicate performance in the specific areas:

#### 1.1 Personnel Licensing Section

Flight Operations inspections and surveillance

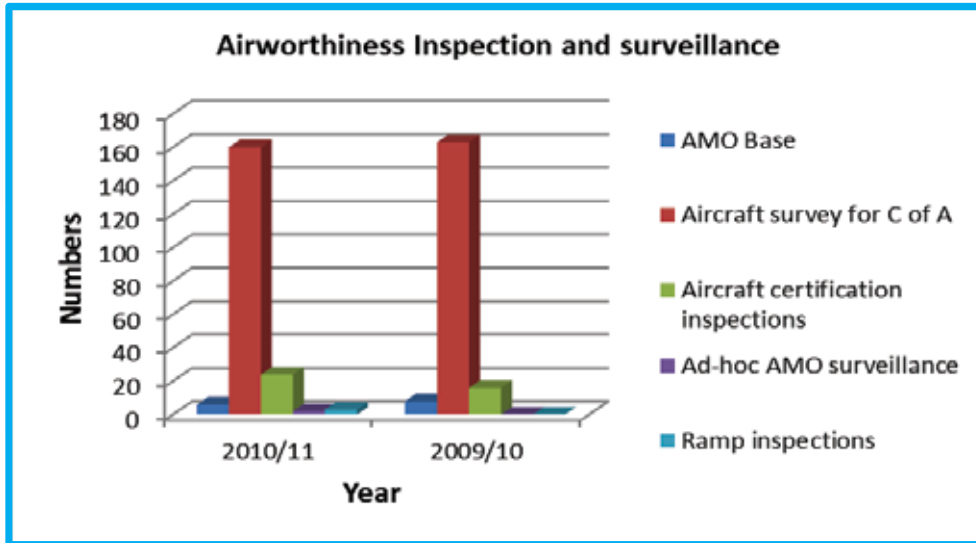
During the year the following Flight operations and surveillance were conducted as per Business Plan.

**Figure 1: Flight Operations Inspections and Surveillance**



Source: TCAA

**Figure 2: Airworthiness Inspection and surveillance**

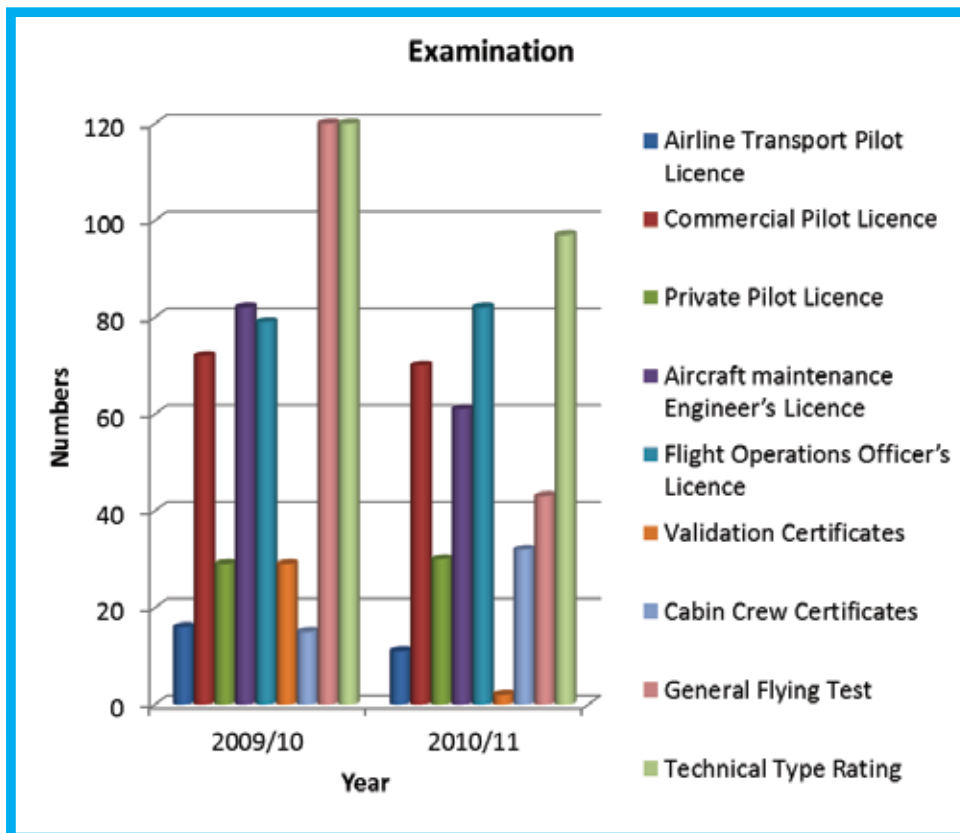


Source: TCAA

**1.1.1 Examination**

A total of 428 examinations were booked in 2010/11 compared to 562 in 2009/10 recording a 13% decrease. This included written examinations together with various flying tests for grant, renewal, conversion, extension and validation of licences and certificates.

**Figure 3: Technical Examinations**

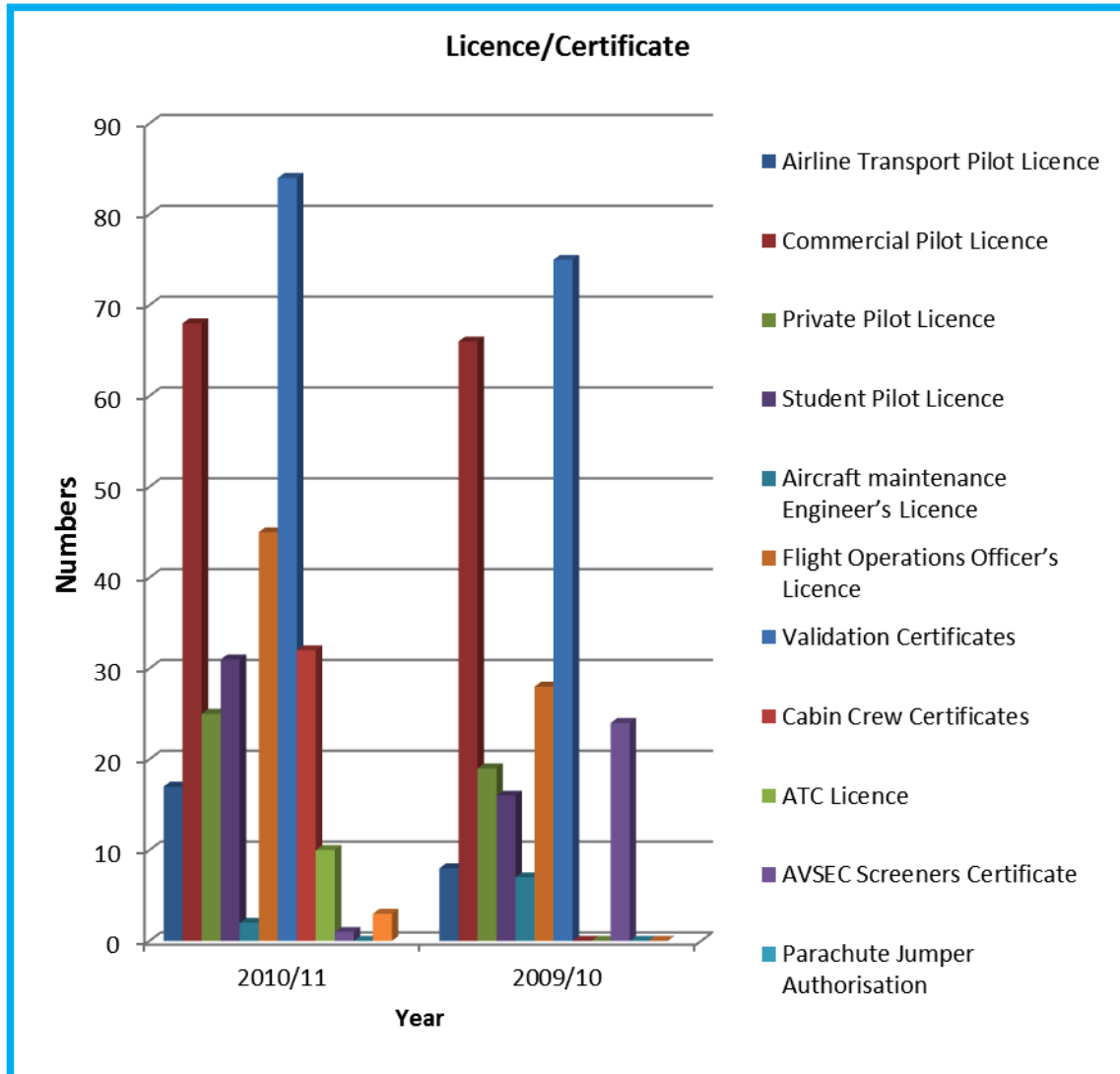


Source: TCAA

### 1.1.2 Licences and Certificates issued

A total of 318 licences including certificates were issued during 2010/11 compared to 243 in 2009/10 resulting in a 13% increase as shown in the table below.

**Figure 4: Licence and Certificate**

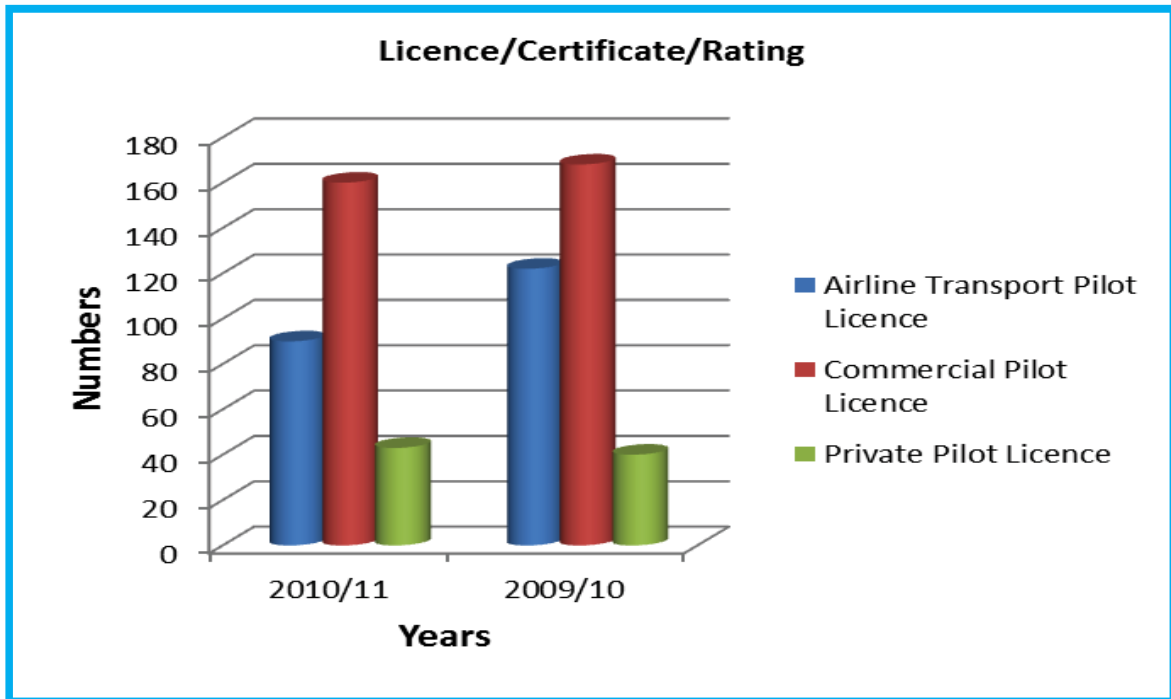


Source: TCAA

### 1.1.3 Renewals

A total of 696 licences including certificates and ratings were renewed during the period of 2010/11 compared to 570 in 2009/10 this is 9% increase.

**Figure 5: Licence/Certificate/Rating**

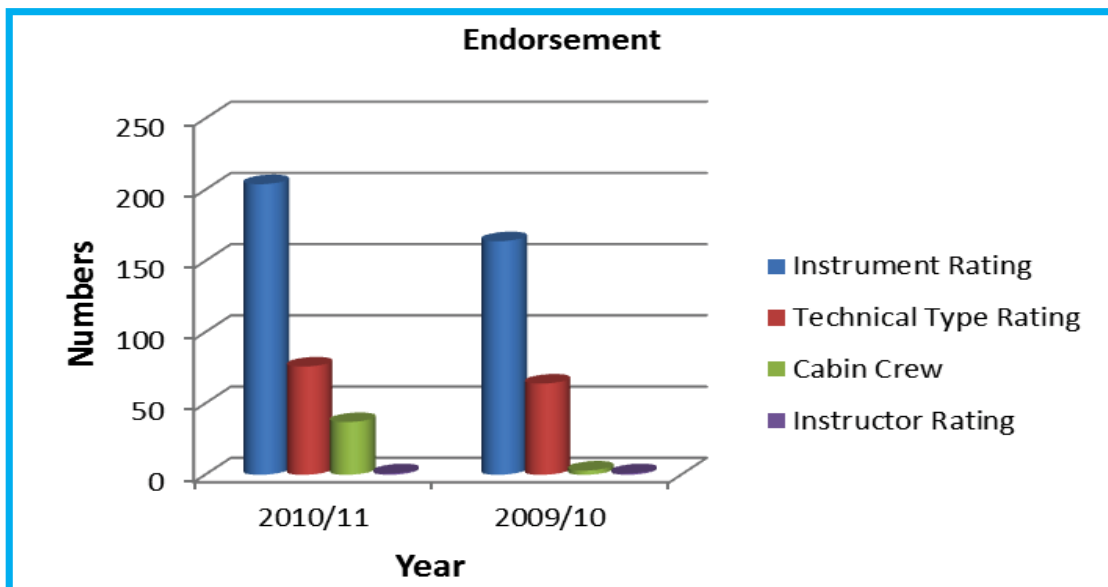


Source: TCAA

#### 1.1.4 Endorsements

A total of 318 endorsements were made on various licences and certificates compared to 232 in 2009/10 resulting in a 15% increase.

**Figure 6: Endorsement**

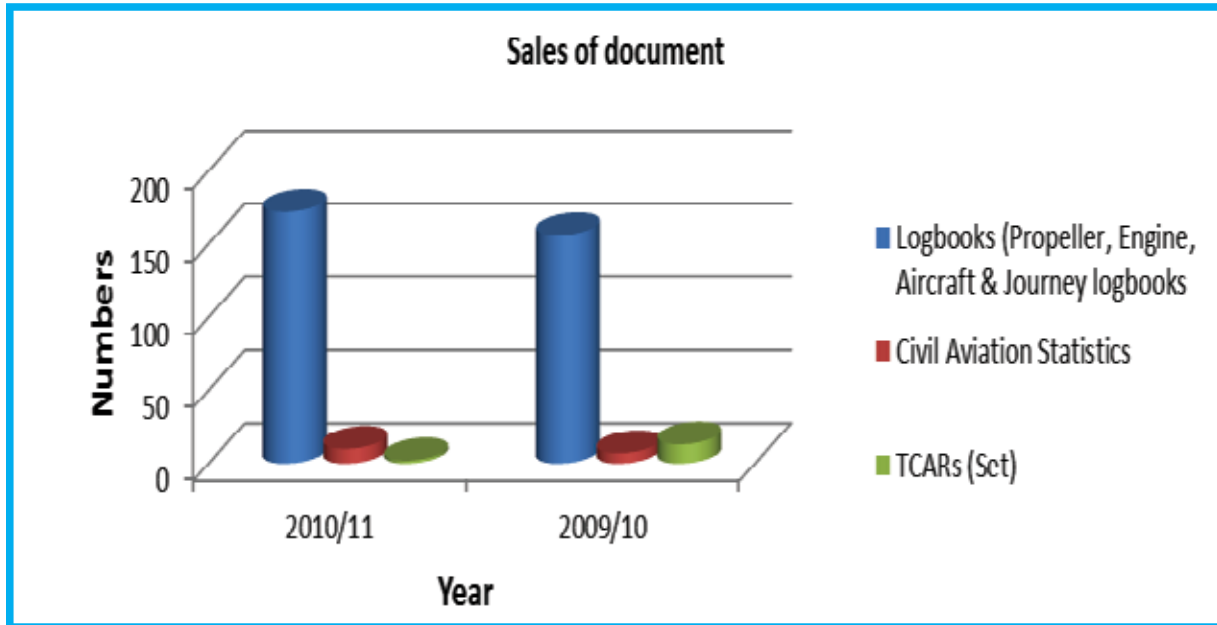


Source: TCAA

### 1.1.5 Sale of Documents

A total of 184 various documents were sold during the period of 2010/11 compared to 176 in 2009/10 resulting in a 3% increase.

**Figure 7: Sale of document**



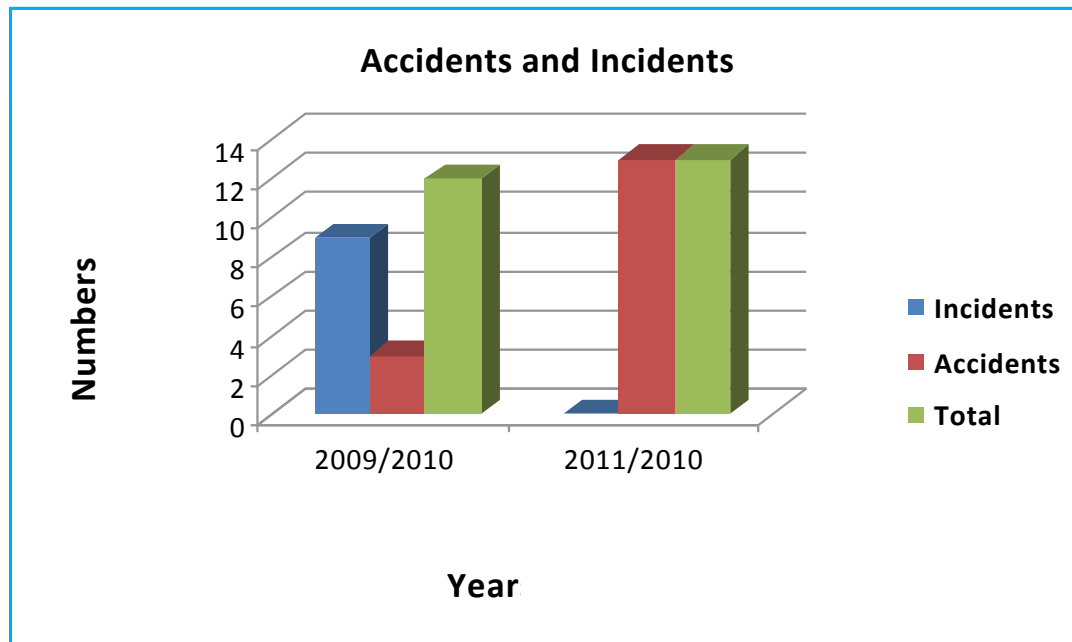
Source: TCAA

### 1.1.6 Accidents and Incidents

Twelve accidents were reported during the period as compared to thirteen accidents reported in 2009/10 which is a decrease of about 10%. Sensitization is going on for implementation of safety management system across all safety related disciplines in the aviation industry.

	2010/11	2009/10
<b>Incidents</b>	<b>9</b>	<b>0</b>
<b>Accidents</b>	<b>3</b>	<b>13</b>
<b>Total</b>	<b>12</b>	<b>13</b>

**Figure 8: Accidents and Incidents**



Source: TCAA

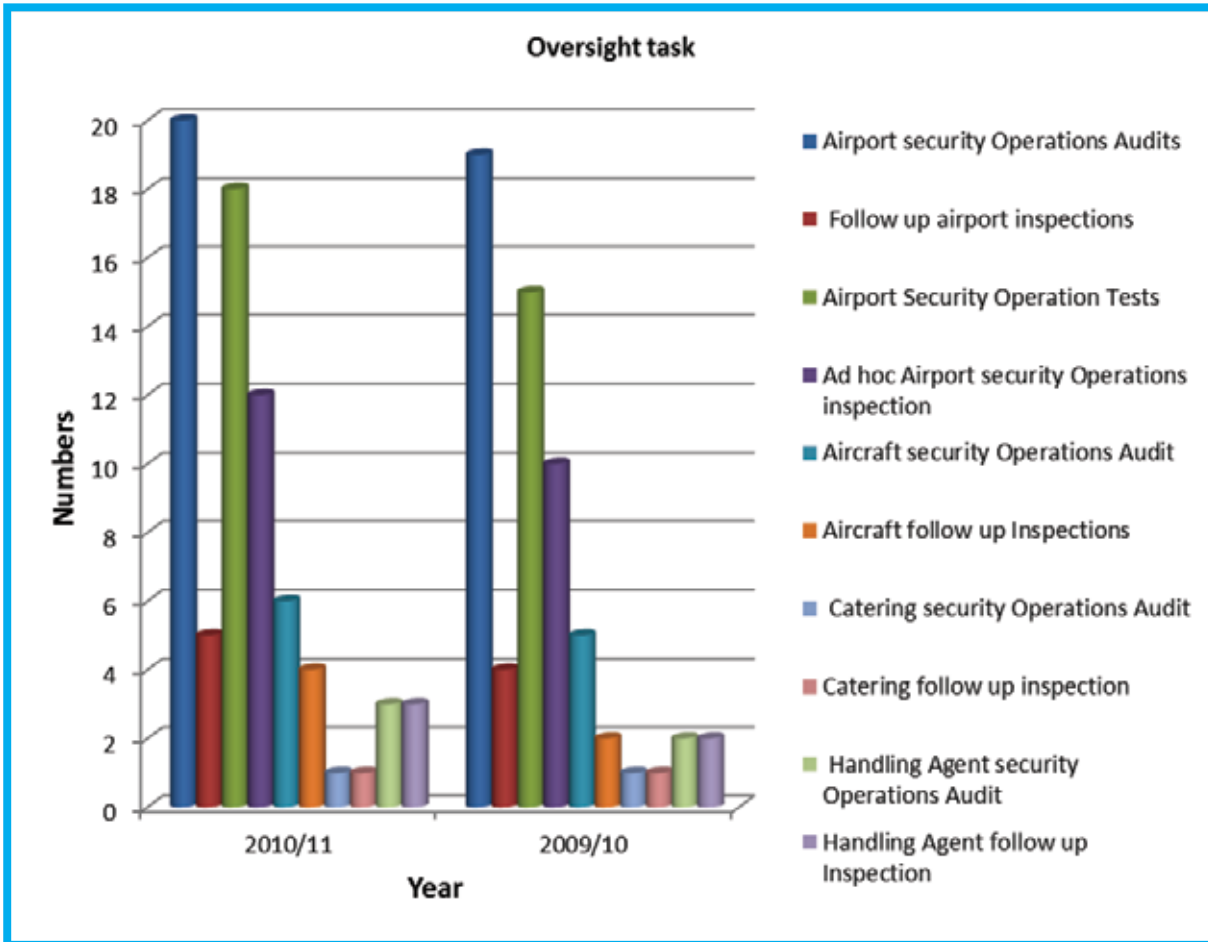
#### 1.1.7 Aviation Security

The Aviation Security Section established a baseline of 0 (zero) acts of unlawful interference for the Country for Year 2009/10.

The Civil Aviation (Security) Regulations, 2007 was reviewed. The National Civil Aviation Security Programme (NCASP) and National Civil Aviation Security Quality Control Programme (NCASQP) were reviewed and amended. The National Civil Aviation Security Training Programme (NCASQP) and Certification of Screener Manual were combined to form the NCASQP and the oversight checklists for airport, aircraft audit, inspection and test were developed. Furthermore, 3 Airport security programmes, 5 Airline security programmes and 1 Catering Agent Security Programme were reviewed and approved.

A total of 73 security oversights were conducted in 2010/11 compared to 61 conducted in 2009/10 as indicated in the table. This was an increase of 16%. The oversights involved the audits, follow up inspections and tests tasks of airports, aircraft, catering and handling agents' security operations. The oversights assisted operators to identify the security lapses and made immediate corrections and those taking long time and huge finances, operators have put up action plans to remedy the deficiencies.

**Figure 9: Oversight task**



Source: TCAA

Five airport committee meetings and 3 interactive meetings with stakeholders were conducted to encourage the industry to accept compliance responsibility. During the period, the National Civil Aviation Security Committee held four meetings also. The meetings greatly contributed in resolving security concerns by operators.

In 2010/11, a total of 150 screener certificates were issued/ renewed compared to 120 issued in 2009/10, as shown in the Table. This was an increase of 20%.

**Certificates Issued/ Renewals**

S. No	Certificate/Renewals	2010/11	2009/10
1	Screeners	150	120

Source: TCAA

**Figure 10: Certificate/Renewals**



Source: TCAA

## 2.0 ECONOMIC REGULATION

### 2.1 Air Transport Regulation

During the financial year 2010/11, the Authority initiated a process to review the Tanzania Civil Aviation (Ground Handling Services) Regulations, 2007. The review was necessitated by difficulties experienced during the implementation of the Regulations which were promulgated in the year 2007. The review is expected to be completed during the year 2011/12.

Furthermore, review of the Civil Aviation Act was completed and the draft legislation was forwarded to the Ministry for further action. The Authority also started the process to review the Tanzania Civil Aviation (Licensing of Air Services) Regulations, 2006.

### 2.2 Licensing of air and ground handling services

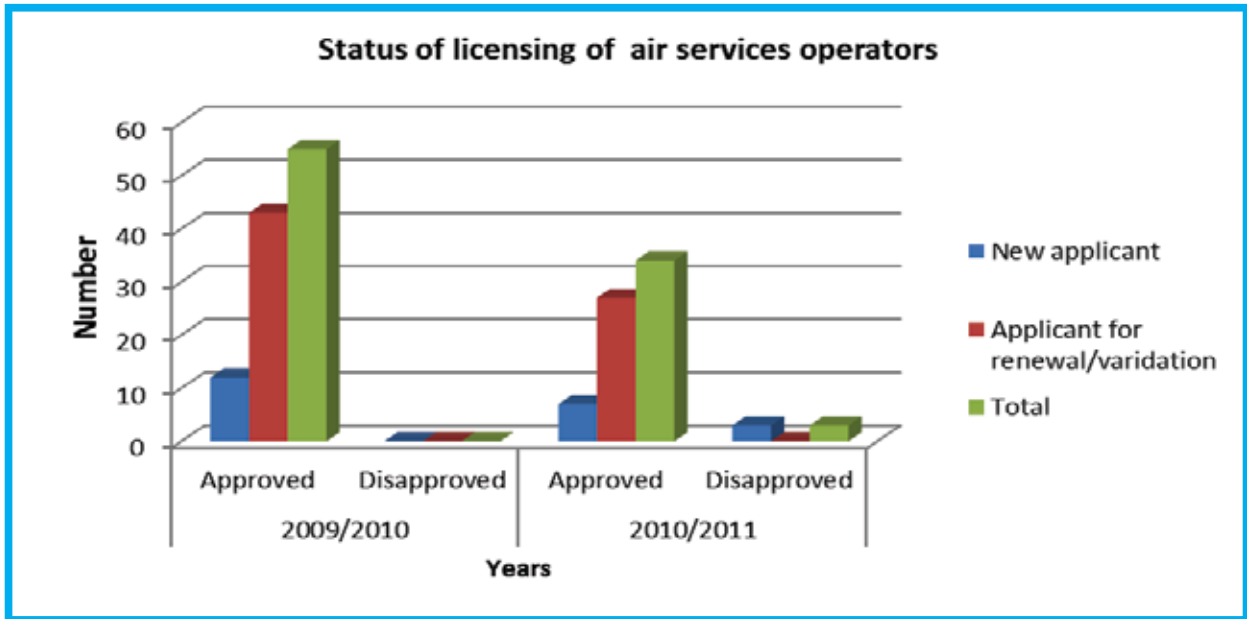
*During the year under review, the Board held two Licensing Board Meetings (one in October 2010 and the other one in June 2011) and considered 37 (thirty seven) and 8 (eight) applications for air and ground handling services respectively, as detailed below:*

#### 2.2.1 Status of licensing of air services operators in 2010/11 vs. 2009/10

		October/November		May/June		Total	
		Approved	Disapproved	Approved	Disapproved	Approved	Disapproved
<b>2009/10</b>	New applicants	2	0	10	0	12	0
	Applicants for renewal/variation	17	0	26	0	43	0
	<b>Total</b>	<b>19</b>	<b>0</b>	<b>36</b>	<b>0</b>	<b>55</b>	<b>0</b>
<b>2010/11</b>	New applicants	3	0	4	3	7	3
	Applicants for renewal/variation	11	0	16	0	27	0
	<b>Total</b>	<b>14</b>	<b>0</b>	<b>20</b>	<b>3</b>	<b>34</b>	<b>3</b>

Source: TCAA

**Figure 11: Status of licensing of air services operator**



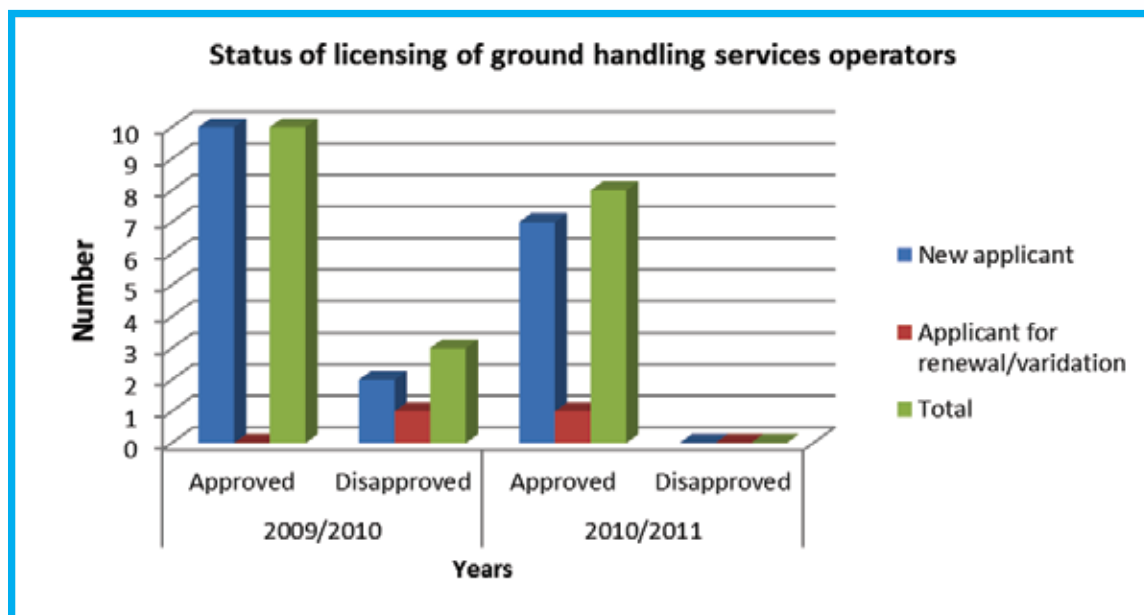
Source: TCAA

2.2.2 Status of licensing of ground handling services operators in 2010/11 vs. 2009/10

		October/November		May/June		Total	
		Approved	Disapproved	Approved	Disapproved	Approved	Disapproved
<b>2009/10</b>	New applicants	3	1	7	1	10	2
	Applicants for renewal/variation	0	0	0	1	0	1
	<b>Total</b>	<b>3</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>10</b>	<b>3</b>
<b>2010/ 11</b>	New applicants	4	0	3	0	7	0
	Applicants for renewal/variation	1	0	0	0	1	0
	<b>Total</b>	<b>5</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>8</b>	<b>0</b>

Source: TCAA

**Figure 12: Status of licensing of ground handling services operators**



Source: TCAA

## 2.3 Bilateral Air Services Agreements (BASAs)

S/No.		Year	Country	Date
1.	New BASAs negotiated	2009/10	• Turkey • Jordan • Bahrain	October 2009 February 2010 November 2009
		2010/11	Nil	
2.	BASA reviewed	2009/10	• Kenya • Mozambique • DRC	July 2009 July 2009 February 2010
		2010/11	Kenya	February 2011
3.	BASA signed	2009/10	• Mozambique • Turkey	August 2009 February 2010
		2010/11	Jordan	February 2011

**Source: TCAA**

## 2.4 Coordination of facilitation of Air Transport

During the period under review, two National Air Transport Facilitation (National FAL) Committee meetings and two East African consultations (East African FAL) meetings on air transport were held.

The 29th and 30th National FAL meetings were held in Mwanza and Zanzibar in November 2010 and May 2011 respectively. The East African FAL meetings (29th and 30th) were held in Bujumbura, Burundi and Mombasa, Kenya in December 2010 and May 2011 respectively.

## 2.5 Statistical Reports

The Statistical Report for 2010 was out in October, 2011, while four (4) quarterly Statistical reports were issued in November 2010, February 2011, May 2011 and August 2011.

## 2.6 Traffic Performance

A total of 32,649 international aircraft movements were handled in the country in the year 2010/11 recording a growth by 35.6%. The country handled 24,085 movements in 2009/10. The corresponding number of passengers handled increased by 15.6%, from a total of 1,289,191 passengers in 2009/10 to 1,490,130 passengers in 2010/11. The increases in both aircraft movements and passengers are a result of introduction of services by Turkish Airlines, Com Air Ltd, resumption of services by Oman Air, expansion of services by Five Forty (540) Aviation (K) Ltd and increase of frequencies by Kenya Airways, Qatar Airways and Ethiopian Airways.

International cargo handled increased by 51%, from 22,216 tons in 2009/10 to 33,548 tons in 2010/11.

This was due to increase of frequencies by Kenya Airways, Qatar Airways, Ethiopian Airlines and commencement of services by Turkish Airlines.

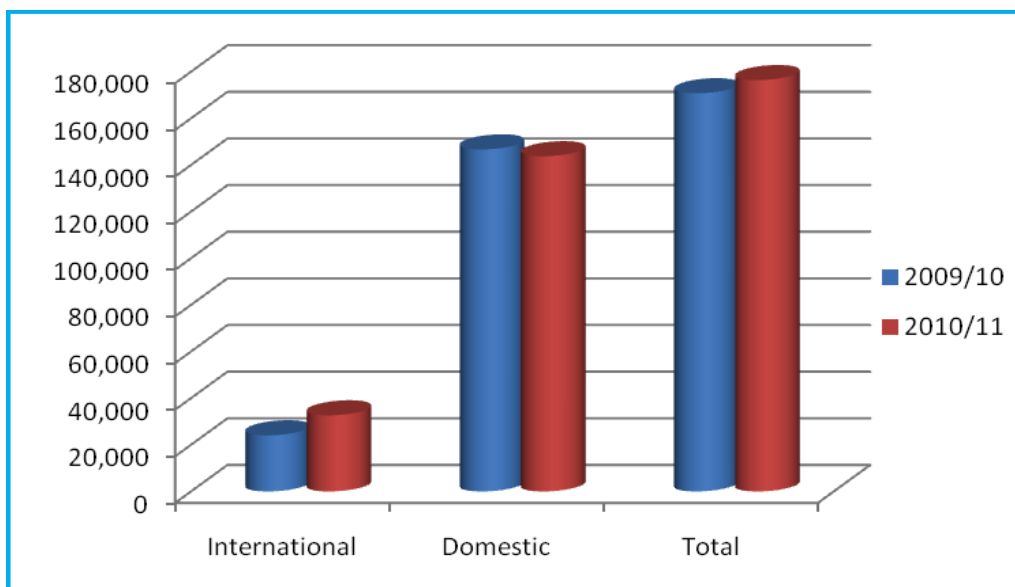
Domestic aircraft movements on the other hand decreased by 2%, from 146,692 movements in 2009/10 to 143,771 movements in 2010/11. This was a result of suspension of services by ATCL. However, the corresponding domestic passengers recorded a 12% increase from 1,575,912 passengers in 2009/10 to 1,765,234 passengers in 2010/11 which was due to increased tourist arrivals connecting to domestic destinations.

Domestic cargo increased from 2,726 tons in 2009/10 to 3,126 tons in 2010/11, equivalent to 14.6% increase. This is a result of increase in tourism and expansion of services by Fly 540 and Precision Air Services Ltd which increased flights to Arusha and Kilimanjaro to 3 times daily from the previous 2 flights.

The share of domestic traffic went down to 54% from the previous 55%, since international traffic registered a higher percentage growth of 15% compared to 12% growth in domestic traffic, between 2009/10 and 2010/11.

Overall traffic performance of the industry recorded a growth of 3.3% in aircraft movements, from 170,777 in 2009/10 to 176,420 in 2010/11.

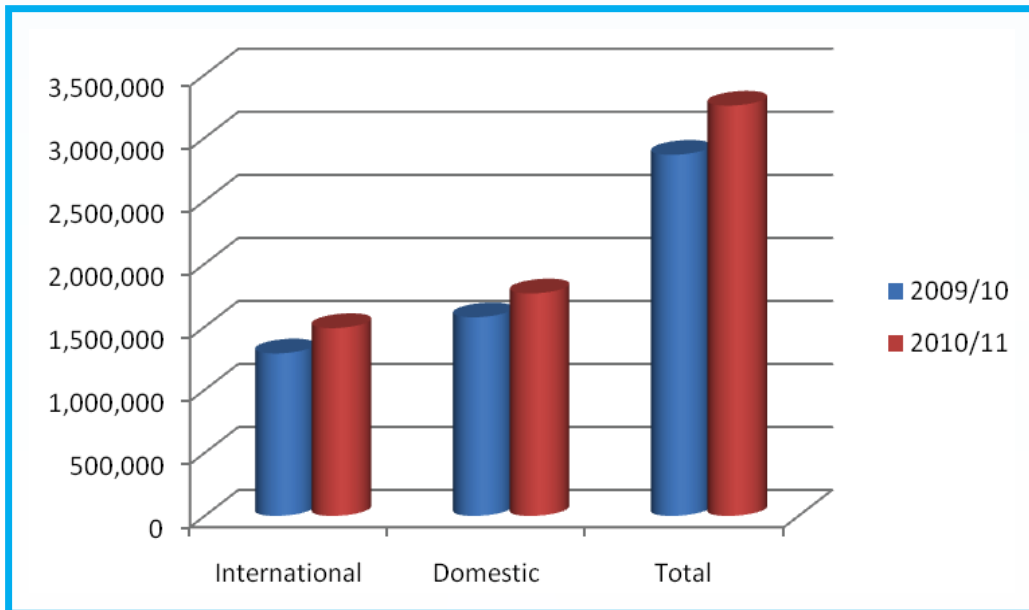
**Figure 13: Aircraft Movements in 2009/10 and 2010/2011**



**Source: TCAA**

Overall passenger traffic increased from 2,865,103 tons in 2009/10 to 3,255,364 tons in 2010/11, equivalent to 13.6% increase.

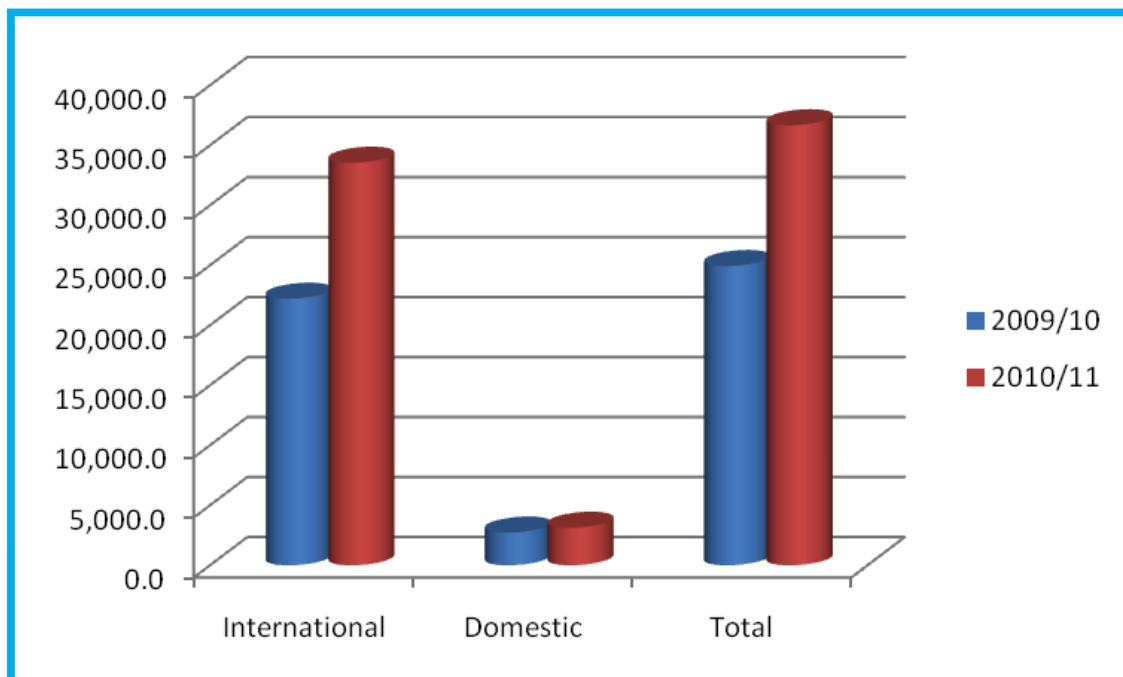
**Figure 14: Passenger Traffic in 2009/10 and 2010/2011**



**Source: TCAA**

Overall cargo recorded a 47% increase, from 24,940.7 tons in 2009/10 to 36,673.9 tons in 2010/11.

**Figure 15: Cargo Traffic (Tons) in 2009/10 and 2010/2011**



**Source: TCAA**

## 3.0 AIR NAVIGATION SERVICES

*During this period, the performance of the Division, measured against set targets was satisfactory. Specifically, the following was the performance levels in the various key results areas:*

### 3.1 Air Navigation Services

During this period, the Authority provided air traffic services in the Dar es Salaam Flight Information Region (FIR), including the airspace above 24,500 feet over the territories of Burundi and Rwanda, satisfactorily. Operation and maintenance of communication, navigation and surveillance facilities in the country were carried out satisfactorily also and in accordance with the Africa-Indian Ocean (AFI) Air Navigational Plan. The service targets reached in the specific areas are as follows:

#### 3.1.2 Air Traffic Incidents

*During the year, 4 incidents (all 'AIRPROX') were reported out of 75,393 movements at the area control centre (ACC), giving a rate of 0.53 incidents per 10,000 aircraft movements. This is a decline by 6% of the set target (0.50) and an improvement by 13.1% by last year rate (0.61%).*

#### 3.1.3 Proficiency and adequacy of Staff

The proficiency of the air traffic controllers earmarked for checking was undertaken as planned. Further, during the period, more than 95% of the training of air traffic controllers, aeronautical information officers and air navigation engineers was completed. Four air navigation engineers were recruited (.). The recruitment of 8 AIOs will be done in next financial year. Additionally 13 ATMO trainees who successfully passed instructional aerodrome control course and on job training (OJT) were employed as ATMO-Aerodrome

#### 3.1.4 Availability of New CNS facilities

*During this period, new NDBs were installed in Dodoma, Pemba and Arusha. VHF MAIN /STANDBY and Transceivers equipment were installed at Arusha, Dodoma, Iringa and Mbeya. In addition, new Voice recording systems were installed at Mwanza, Arusha and Zanzibar.*

#### 3.1.5 Operation of facilities at optimum level

All the facilities were maintained on a regular basis as programmed. Spares availability improved and an average equipment serviceability of 98% was attained. The detailed serviceability of the different facilities was as follows:

- Both Navigation Aids and Surveillance equipment operated at serviceability level of 99%.

- Serviceability of the VHF Area Cover averaged at 99% during the year while the serviceability of the VHF station radios was 100%
- Serviceability of the ATS DS link was 99%
- With regard to the Aeronautical Fixed Telecommunication Network, serviceability of the equipment for the year was 98% for the international circuits and 77% for the domestic circuits.

### 3.1.6 Air Traffic Services

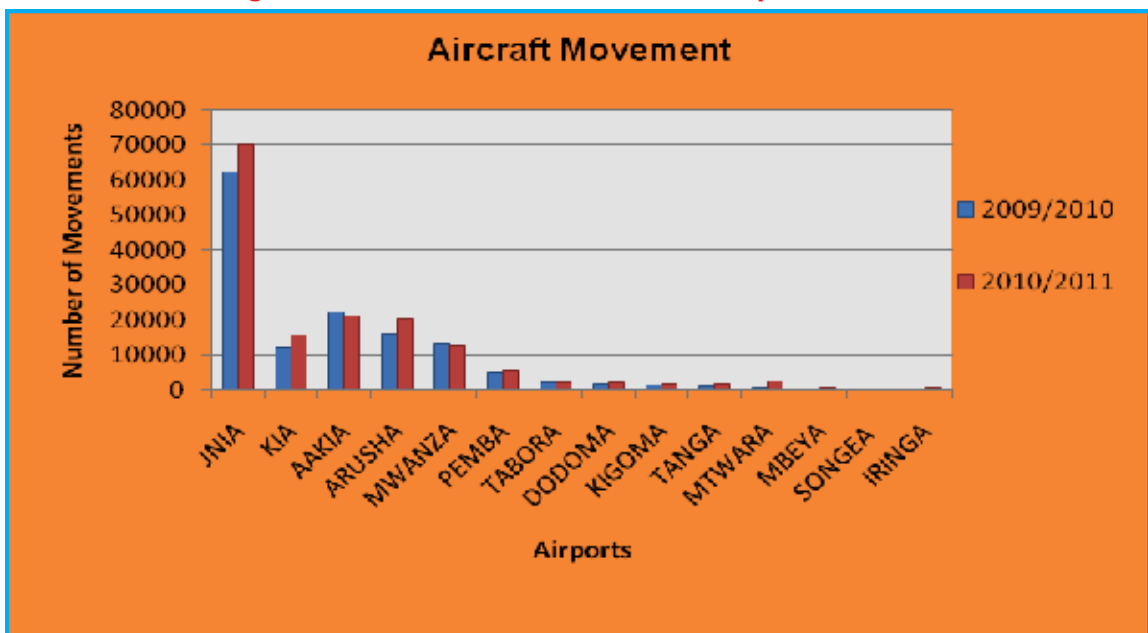
Air Traffic Control services continued to be provided on 24 hours basis at the Area Control Centre, Julius Nyerere and Zanzibar International Airports. At Mwanza Airport services were provided for 17 hours commencing from 06:00 am and occasionally extended to cater for non-scheduled flights. At the remaining 11 airports, services were provided during daytime.

Twenty four hours terminal radar control services continued to be provided at Dar es Salaam and area radar service was available for en-route air traffic within the Eastern sector.

During this period, the number of aircraft movements handled by the Dar es Salaam Area Control Centre increased by 13.6%, from 65,151 to 75,393.

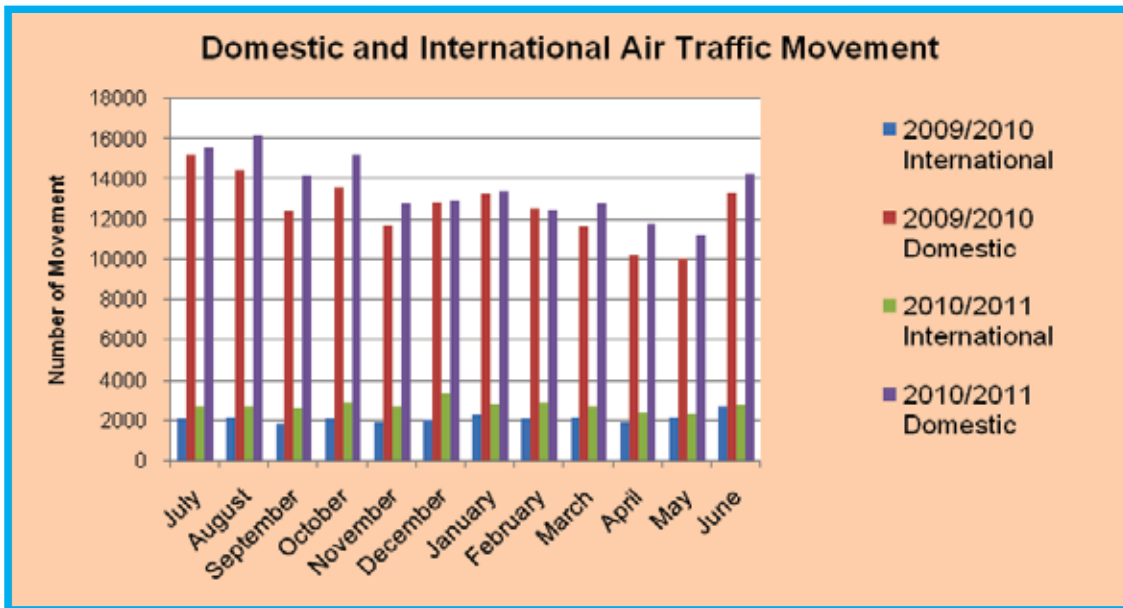
At the thirteen airports in Tanzania where the Authority provides air traffic control services, the total aircraft movements increased by 25.1%, compared with the previous year, i.e. from 116,782 movements in 2009/10 to 155,992 movements in 2010/11.

**Figure 16: Air Traffic Movements at Airports**



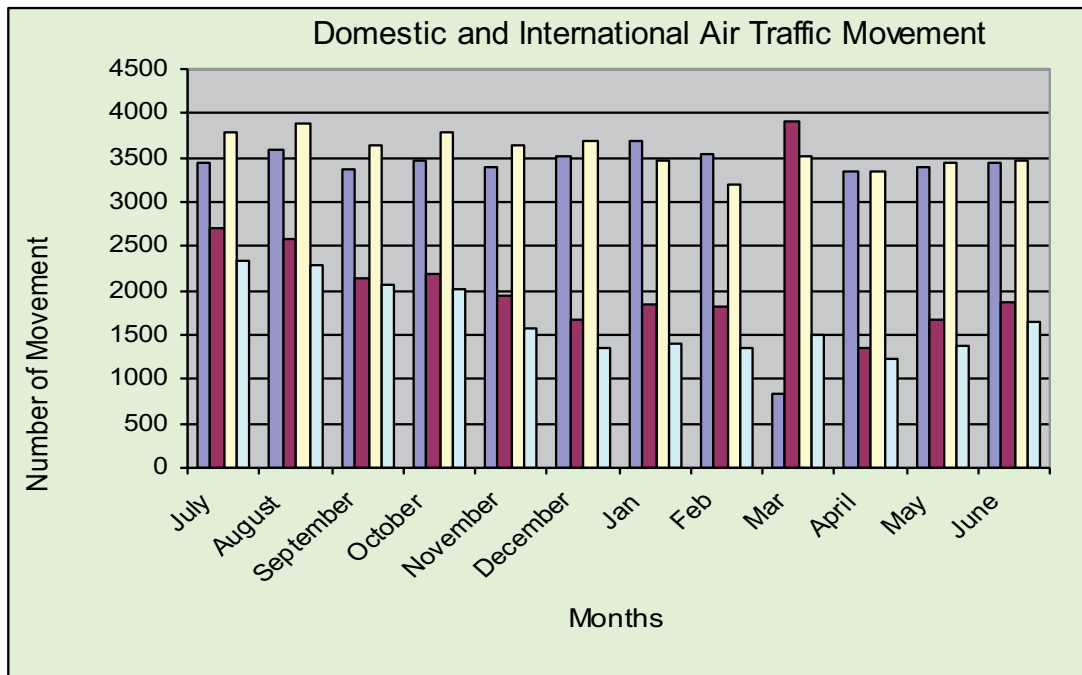
Source: TCAA

**Figure 17: Total Number of Air Traffic Movements by Months**



Source: TCAA

**Figure 18: Total Number of Air Traffic Movements by Months**



Source: TCAA

### 3.1.7 Aeronautical Information Services

Twenty-four hour service continued to be provided at JNIA and Zanzibar while 12 hour service was provided at Arusha, Dodoma, and 13 hrs at Terminal One (at JNIA). Similarly, 14 hour service was provided at Mwanza Airports.

During the year, the International NOTAM Office (NOF) handled 69,117 foreign NOTAMs compared

to 57467 in the previous year and issued 808 NOTAMs relevant to Tanzania compared to 784 in 2009/10. Additionally, 7,424 Aeronautical Pre-Flight Information Bulletins (PIB) were provided to airlines operating at JNIA compared to 6088 in 2009/10. Other targets achieved with regard to provision of AIS are as detailed hereunder:

- Provision of aeronautical information on a timely basis

Four amendments to the AIP were issued this year. Aerodrome Index Chart and ATS Route Structure in FIR chart were updated and reissued, following changes in additional airstrips and routes respectively.

- Aeronautical Fixed Services

The number of messages handled was 2,546,996 (International 1,000,812 Domestic 1,546,184) compared to 2,021,193 (International 860,638 Domestic 1,160,555) messages handled the previous year. Most of the international messages are transit traffic between Nairobi and Johannesburg Centres.

### 3.1.8 The Civil Aviation Training Centre

- The Civil Aviation Training Centre continued offering aviation related training courses to the Authority and the industry from within and also from neighbouring/regional countries of Botswana, Namibia, Uganda, Rwanda, and Burundi.
- During the year, the Centre conducted a total of 20 courses involving 283 participants, 173 males and 110 females who comprise 196 local students and 87 international students. The total revenue generated from courses was 37,790,000 Tanzanian shillings and 82,542 US Dollars.
- During the period, the Centre's capacity was uplifted by recruiting two (2) Instructors and training ten (10) instructors in various professional and academic courses. Two (2) Instructors were retired during the period and their positions have been covered.
- Full accreditation from NACTE has been pursued during the period. The Curriculum development exercise which involved labour market demand survey was completed. The next stage which involve pre-curriculum write up is in progress.
- Six (6) Instructors were registered by NACTE after meeting the basic requirements.
- In the efforts of attaining certification from TCAA, CATC has engaged in preparation of Training and Procedures Manual. The document is ready and the next stage which involves evaluation, demonstration and inspection is in progress.

## 4.0 CORPORATE SERVICES

### 4.1 Human Resources

As of 30 June 2011, the Authority had a total number of 387 out of whom 264 were males and 123 were females. The Authority continued to recruit new employees to fill vacant positions which arose due to resignation, retirement and retrenchment. During the period under review a total of ten (10) new staff were recruited.

During this period, the Authority continued to implement the three year training programme (2009/2010 – 2010/2012). For the year under review, a total of 138 staff were trained, 63 staff short term courses and 66 staff on corporate courses. 66 staff attended induction course.

Due to labour mobility a total number of one staffs terminated his contracts with the Authority and joined other institution.

A total number of six (6) staff retired during the period under review after attaining the compulsory retirement age.

#### *4.1.1 Procurement*

During the period under review, the Authority continued to implement the Public Procurement Act and PPRA requirement and prepared an Annual procurement Plan as one of the requirements of the Procurement Act. and PPRA.

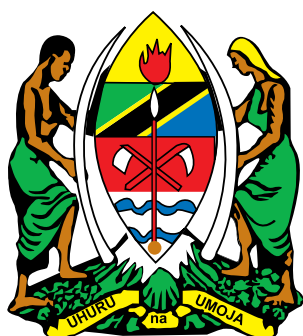
The following major Procurements of goods and services were done during this period:

- (i) Supply two double cabins for Kigoma and Mtwara stations for operations.
- (ii) Procurement of Multi channel Recorders for Arusha, Mwanza and Zanzibar.
- (iii) Procurement of staff uniforms for the Authority's staff
- (iv) Procurement of office machines and Information Technology Equipment  
(Computers and Accessories.)
- (v) Procurement of Air navigation equipments.
- (vi) Construction of office partitioning for Central workshop at Chang'ombe Central stores.

#### *4.1.2 Aviation House*

The Authority continued implementation of the Construction of Aviation House. The construction works were completed in February 2011 and relocation of the Head Office offices to the new building was done with effect from 6 March 2011.

**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



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**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF THE  
TANZANIA CIVIL AVIATION AUTHORITY  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2011**

The Controller and Auditor General  
National Audit Office,  
Samora Avenue/Ohio Street,  
P. O. Box 9080  
Dar es Salaam

Telegram: "Ukaguzi"  
Telephone: 255 22 2115157/8  
Fax: 255 22 2117527  
E-mail: [ocag@nao.go.tz](mailto:ocag@nao.go.tz)

**March, 2012**



## TANZANIA CIVIL AVIATION AUTHORITY

**Office of the Controller and Auditor General,  
National Audit Office,  
The United Republic of Tanzania**

**(Established under Article 143 of the Constitution of the URT)**

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and further elaborated under Sect. 10 (1) of the Public Audit Act No. 11 of 2008.

### **Vision**

To be a centre of excellence in public sector auditing

### **Mission**

To provide efficient audit services in order to enhance accountability and value for money in the collection and use of public resources.

**In providing quality services, NAO is guided by the following Core Values:**

- ✓ **Objectivity** : We are an impartial organization, offering services to our clients in an objective, and unbiased manner;
- ✓ **Excellence** : We are professionals providing high quality audit services based on best practices;
- ✓ **Integrity**: We observe and maintain high standards of ethical behavior and the rule of law;
- ✓ **People focus**: We focus on stakeholders' needs by building a culture of good customer care and having competent and motivated work force;
- ✓ **Innovation**: We are a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization; and
- ✓ **Best resource utilization**: We are an organization that values and uses public resources entrusted to it in efficient, economic and effective manner.

### **We do this by:-**

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and
- Providing audit staff with adequate working tools and facilities that promote independence.

© ***This report is intended to be used by Tanzania Civil Aviation Authority. However, upon receipt and adoption of this report by the TCAA Board of Directors, the report becomes a matter of public record and its distribution may not be limited.***

## TANZANIA CIVIL AVIATION AUTHORITY

### CORPORATE INFORMATION

DIRECTORS	Mrs. Mwatumu J. Malale Mr. Mbwana J. Mbwana Mrs. Margaret T. Munyagi Mr. Fadhili Manongi Hon. Thuwaybah Kissasi Prof. Arnold Temu	Chairman Vice Chairman Director General (Retired on 14 October 2010) Director General (Appointed on 14 October 2010) Director (Non-Executive) Director (Non-Executive)
AUTHORITY SECRETARY	Tanzania Civil Aviation Legal Department Aviation House Nyerere/Kitunda Road Junction P.O. Box 2819 Dar-es-Salaam Tanzania	
REGISTERED OFFICE	Aviation House Nyerere/Kitunda Road Junction P.O. Box 2819 Dar-es-Salaam Tanzania	
BANKERS	National Bank of Commerce Limited Corporate Branch Dar-es-Salaam Tanzania  NMB Bank Plc Bank House Branch Dar-es-Salaam Tanzania  CRDB Bank Plc Azikiwe Branch Dar-es-Salaam Tanzania	

## TANZANIA CIVIL AVIATION AUTHORITY

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2011

The directors are pleased to present their report and the audited financial statements for the year ended 30 June 2011.

#### ESTABLISHMENT AND ACTIVITIES

The Tanzania Civil Aviation Authority also referred to as "TCAA" or "the Authority" was established on 1 November 2003 as a corporate body, pursuant to the Tanzania Civil Aviation Authority Act 2003 (Act No. 10 of 2003) which has been consolidated with the Civil Aviation Act 1977 (Act No. 13 of 1977) and now titled as the Civil Aviation Act (CAP 80) of 2006.

This Act mandates the Authority to regulate the activities of persons and institutions carrying out air services, aeronautical airport services and air navigation services as well as continue with the provision of navigation services.

#### RESULT FOR THE YEAR

The results for the year are set out on page 8 of these financial statements.

#### DIRECTORS

The directors of the Authority at the date of this report and those who have served during the year are set out on page 2.

#### DIRECTOR'S INTEREST

The authority is wholly owned by the Government of the United Republic of Tanzania. Directors do not have any interest in the Authority.

#### RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in note 24 of the financial statements. All transactions with related parties were undertaken on arm's length basis.

#### EMPLOYEES WELFARE

The relationship between management and employees continued to be good. At the year end, there were no unresolved complaints received from employees.

The Authority had a total of 386 employees as at 30 June 2011 (2010: total of 393 employees) out of which 263 or 68 percent were male and 123 or 32 percent were female.

#### Employment Policy

Tanzania Civil Aviation Authority is committed to employment policies which follow best practices, based on equal opportunity for all employees irrespective of sex, race, religious, disability, age or marital status. The Authority recognizes the need for ensuring fair employment practices in recruitment and selection, and the retention, training and career development of staff. As a measure toward improving Employer/Employee good relationship, during the year 2011 management convened one meeting with all staff.

#### Management/Employees Relationship

The relationship between management and staff is cordial. Employees are involved in major changes affecting them through such measures as monthly departmental meetings, internal communication and workers council meetings. There are well established procedures, including regular meeting with trade union (TUGHE), to ensure that the views of employees are taken into account in reaching decisions.

## TANZANIA CIVIL AVIATION AUTHORITY

### REPORT OF THE DIRECTORS (CONTINUED)

#### EMPLOYEES WELFARE (Continued)

##### Training

The Authority regards training as investment in human resources. The Authority, therefore, sets aside sufficient resources in its annual budget and plans to meeting training objectives. All employees are trained with the aim of equipping them with knowledge, skills, attitude and abilities necessary to achieve Tanzania Civil Aviation Authority strategic goals. Training is normally carried out with focus on core business of the Authority academic and professional improvement and technical programs. Training is conducted in accordance with an annual training program drawn from training needs assessment, which takes into account identified skills gaps and exposure to new and ever changing working and business environment. This guarantees availability of high caliber employees capable of meeting the Authority's vision and mission.

##### Medical Assistance

The Authority meets medical expenses of its employees and their immediate dependants through contributing to National Health Insurance Fund (NHIF).

##### HIV/AIDS Policy

The Authority HIV/AIDS policy focuses on creating awareness on HIV/AIDS among staff members by providing them with update information on HIV/AIDS with emphasis on the preventive strategies and education against the pandemic. The policy also focuses on encouraging employees to undertake voluntary counseling and testing (VCT).

##### Financial Support

Loans, salary advances and other financial assistance are available to all confirmed employees in accordance with approved staff policies and practices.

##### SOLVENCY

The state of affairs of the Authority as at 30 June 2011 is set out on page 9 of these financial statements. The directors consider the Authority to be solvent.

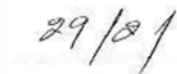
##### AUDITORS

Deloitte & Touche were the independent auditors of the Authority for the financial year ended 30 June 2011 following their re-appointment by the Controller and Auditor General.

##### BY ORDER OF THE BOARD



Mr. Mbwana J. Mbwana  
Vice Chairman



2012

## TANZANIA CIVIL AVIATION AUTHORITY


### STATEMENT OF DIRECTORS' RESPONSIBILITIES


The Tanzania Civil Aviation Authority Act No. 13 of 1997 as amended in 2006 require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority as at the end of the financial year, and of the results for the Authority for that year. It also requires the directors to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the manner required by the Tanzania Civil Aviation Authority Act. No. 13 of 1997 as amended in 2006, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent, judgements and estimates, in conformity with International Financial Reporting Standards and Tanzania Civil Aviation Authority Act No. 13 of 1997 as amended in 2006. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Authority will not remain a going concern at least for the next twelve months.

  
\_\_\_\_\_  
Mr. Mbwana J. Mbwana  
Vice Chairman  
29/12/ 2012

  
\_\_\_\_\_  
Prof. Arnold Temu  
Director  
29/02 2012

**To: The Chairman,  
Board of Directors,  
Tanzania Civil Aviation Authority,  
P.O. Box 2819,  
Dar es Salaam,**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENT OF THE TANZANIA CIVIL AVIATION AUTHORITY FOR THE YEAR ENDED 30TH JUNE 2011**

**Introduction**

I have audited the accompanying financial statements of the Tanzania Civil Aviation Authority, which comprises the statement of financial position as at 30th June, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes set out on pages 8 to 33 of this report.

**Directors' Responsibility for the Financial Statements**

The Board of Directors of the Tanzania Civil Aviation Authority is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Responsibilities of the Controller and Auditor General**

My responsibility as auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing (ISA), the International Standards of Supreme Audit Institutions (ISSAI), and such other audit procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

In addition, Section 10(2) of the PAA of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with appropriate accounting standards and that, reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed and expenditures of public monies have been properly authorized.

Furthermore, Section 44(2) of the Public Procurement Act No. 21 of 2004 and Regulation 31 of the Public Procurement (Goods, Works, Non-Consultant Services and Disposal of Public Assets by Tender) Regulations 2005 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

I believe that that audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

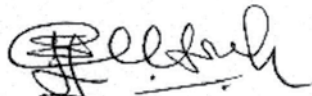
**Unqualified Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Tanzania Civil Aviation Authority as of 30th June, 2011 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

**Compliance with Public Procurement Act**

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that Tanzania Civil Aviation Authority procurement has generally complied with the requirements of the Public Procurement Act, 2004 and its related Regulations of 2005.



Ludovick S.L. Utouh  
**CONTROLLER AND AUDITOR GENERAL**

Office of the Controller and Auditor General,  
National Audit Office,  
Dar es Salaam, Tanzania

20th March, 2012



**TANZANIA CIVIL AVIATION AUTHORITY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	<b>Note</b>	<b>2011 TZS '000</b>	<b>2010 TZS '000</b>
Revenue	4	22,497,084	18,486,873
Other Income		52,656	82,328
Operating and administrative expenses	5	(11,790,219)	(10,730,167)
Staff costs	7	(9,129,727)	(6,846,744)
Interest income		199,102	508,864
Interest expense	8	<u>(221,132)</u>	<u>-</u>
<b>Surplus for the year</b>	9	1,607,764	1,501,154
<b>Other comprehensive income</b>			
Gain on available for sale investments	13	<u>1,188</u>	<u>1,486</u>
Total comprehensive income		<u>1,608,952</u>	<u>1,502,640</u>

TANZANIA CIVIL AVIATION AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 TZS '000	2010 TZS '000
<b>ASSETS</b>			
<b>Non current assets</b>			
Property and equipment	11	25,484,620	23,468,754
Intangible assets	12	133,483	422,630
		<u>25,618,103</u>	<u>23,891,384</u>
<b>Current assets</b>			
Available for sale investment	13	14,261	13,073
Inventory	14	1,238,705	403,468
Trade and other receivables	15	3,608,893	2,932,193
Term deposits	16	4,394,608	7,287,926
Cash and bank balances		3,488,434	4,071,599
		<u>12,744,901</u>	<u>14,708,259</u>
<b>Total assets</b>		<u>38,363,004</u>	<u>38,599,643</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital fund	18	6,694,229	6,694,229
Investment revaluation reserves		11,030	9,842
Accumulated surplus	19	20,271,155	18,663,391
<b>Total equity</b>		<u>26,976,414</u>	<u>25,367,462</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	20	7,528,491	7,967,735
Gratuity payable	21(iii)	913,215	795,695
		<u>8,441,706</u>	<u>8,763,430</u>
<b>Current Liabilities</b>			
Borrowings	20	1,037,393	2,128,897
Funds held for special project	22	330,114	330,114
Trade and other payables	23	1,577,377	2,009,740
<b>Total liabilities</b>		<u>2,944,884</u>	<u>4,468,751</u>
<b>Total equity and liabilities</b>		<u>38,363,004</u>	<u>38,599,643</u>

The financial statements on pages 8 to 33 were approved by the board of directors on ..... 2012 and were signed on its behalf by:



Mr. Mbwana J. Mbwana  
Vice Chairman



Prof. Arnold Temu  
Director

**TANZANIA CIVIL AVIATION AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	<b>Capital fund TZS '000</b>	<b>Investment revaluation reserve TZS '000</b>	<b>Accumulated surplus TZS '000</b>	<b>Total equity TZS '000</b>
<b>At 1 July 2009</b>	6,694,229	8,356	17,162,237	23,864,822
Surplus for the year	-	-	1,501,154	1,501,154
<b>Other comprehensive income:</b>				
Gain on available for sale investment (Note 12)	-	1,486	-	1,486
<b>At 30 June 2010</b>	<u>6,694,229</u>	<u>9,842</u>	<u>18,663,391</u>	<u>25,367,462</u>
<b>At 1 July 2010</b>	6,694,229	9,842	18,663,391	25,367,462
Surplus for the year	-	-	1,607,764	1,607,764
<b>Other comprehensive income:</b>				
Gain on available for sale investment (Note 12)	-	1,188	-	1,188
<b>At 30 June 2011</b>	<u>6,694,229</u>	<u>11,030</u>	<u>20,271,155</u>	<u>26,976,414</u>

TANZANIA CIVIL AVIATION AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 TZS '000	2010 TZS '000
<b>OPERATING ACTIVITIES</b>			
<b>Surplus for the year</b>		1,607,764	1,501,154
Adjustments for:			
Depreciation and amortization		<u>2,252,666</u>	<u>1,618,813</u>
Operating surplus before working capital changes		3,860,430	3,119,967
<b>Working capital changes</b>			
(Increase)/decrease inventories		(835,237)	72,544
Increase in trade and other receivables		(676,700)	(100,713)
Increase in gratuity payable		117,520	171,128
(Decrease)/increase in trade and other payables		<u>(432,364)</u>	<u>877,095</u>
<b>Net cash from operating activities</b>		<u>2,033,649</u>	<u>4,140,021</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(3,979,385)	(10,151,880)
Acquisition in intangible assets		-	(164,166)
Movement in term deposits		<u>221,131</u>	<u>(1,493,133)</u>
<b>Net cash used in investing activities</b>		<u>(3,758,254)</u>	<u>(11,809,179)</u>
<b>FINANCING ACTIVITIES</b>			
Net borrowings (repaid)/received		<u>(1,530,747)</u>	<u>2,365,723</u>
Net cash generated from financing activities		<u>(1,530,747)</u>	<u>2,365,723</u>
(Decrease)/increase in cash and cash equivalent		(3,255,352)	(5,303,435)
Cash and cash equivalents at the beginning of the year		<u>9,504,326</u>	<u>14,807,761</u>
Cash and cash equivalents at the end of the year	17	<u><b>6,248,974</b></u>	<u><b>9,504,326</b></u>

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011

1. SIGNIFICANT ACCOUNTING POLICIES

**Statement of compliance**

The financial statements have been prepared in accordance with the International financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements are stated below:

- (i) New standards and amendments to published standards effective for the year ended 30 June 2011.

**New and revised standards affecting presentation and disclosure only**

Amendments and revised standards	Effective for annual periods beginning on or after
Various improvements resulting from April 2009 Annual improvements to IFRSs	1 January 2010
IAS 32, Financial Instruments: Presentation - amendments relating to classification of rights issues	1 February 2010
Improvements to IFRSs (2010)	1 July 2010
New Interpretation	
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

- (ii) Relevant new and amended standards in issue but not yet effective in the year ended 30 June 2011

	Effective for annual periods beginning on or after
<i>New and Amendments to standards</i>	
IFRS 7, Financial Instruments: Disclosures - amendments enhancing disclosures about transfers of financial assets	1 July 2011
IFRS 9, Financial Instruments - Classification and Measurements (2010)	1 January 2013
IAS 24, Related Party Disclosures - revised definition of related parties	1 January 2011
Various improvements resulting from May 2010 Annual Improvements to IFRSs	1 January 2011
IAS 1, Presentation of Financial Statements - Presentation of items of other comprehensive income	1 July 2012
IAS 19, Employee Benefits (2011)	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) *Impact of new and amended standards and interpretations on the financial statements for the year ended 30 June 2011*

**Amendments to IFRS 7 Financial Instruments: Disclosures**

These make amendments to IFRS 7 Financial Instruments: Disclosures resulting from the IASB's comprehensive review of off balance sheet activities.

The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets ( for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

**Various improvements resulting from April 2009 Annual improvements to IFRSs**

A number of the amendments in this tranche are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification expenditures on unrecognised assets in the statement of cash flows and the classification of leases of land and buildings.

**IAS 32, Financial Instruments: Presentation**

Amendments relating to classification of rights issues

(iv) Early adoption of standards

The Authority did not early-adopt any new or amended standards during the year

**Basis of accounting**

The financial statements have ben prepared on the historical cost basis, except for the revaluation of equity shares which carried at fair value.

**Revenue Recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Authority and the revenue can be reliably measured. Revenue on provision of services is recognised when services have been provided to the operator.

**Accounting for grants**

A grant is recognised as income on a cash basis i.e. when received. Grants received from donors in respect of capital expenditure are credited directly to an appropriate capital grants account. Grants received in respect of revenue expenditure are credited to income and expenditure statement in the same period in which the related revenue expenditure is charged.

**Interest Income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Foreign currency translation**

(i) Functional and presentation currency

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

(ii) Transactions and balances:

Foreign currency transactions are translated into Tanzanian shillings using the exchange rates prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to Tanzanian Shillings at the rate prevailing at that date. Exchange differences are recognized in profit or loss in the period in which they arise.

**Borrowing costs**

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

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

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

**Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the useful life of the assets. The annual depreciation rates, which have been consistently applied, are as follows:

Buildings	4%
Motor Vehicles	20%
Telecommunications Equipment	7%
Furniture and Fittings	10%
Computers hardware	20%

**Intangible assets: Computer Software**

Intangible assets acquired are carried at cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs are not capitalised and expenditure is charged to profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Amortization of Intangible Assets**

Amortization is calculated on a straight-line basis to write off the cost of intangible assets over their estimated useful lives. The annual rates of amortization which have been consistently applied are:

MIS Project	25%
-------------	-----

**Impairment of assets**

At the end of each reporting period, the Authority reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized in the profit or loss whenever the carrying amount of the asset exceeds its recoverable amount.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the First-in-First out (FIFO) method. Net realizable value is the amount that the item can realize in the market less cost of bringing to the saleable condition. Specific provision is made for obsolete, slow moving and damaged inventory.

**Financial instruments**

Financial assets are classified into the following specified categories: 'available-for-sale' ("AFS") financial assets, held to maturity ("HTM") and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At the reporting dates, the Authority had loans and receivables only.

*(a) Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

*(b) Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

*(c) Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Financial instruments (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### *(d) Derecognition of financial assets*

The Authority derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

##### Available for sale Investments

Available-for sale Investments are those intended to be held for an Indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices. The Authority classifies equity investments, other than those acquired for trading purposes as available-for-sale. An investment in quoted shares of Twiga Cement Company Limited has been classified as available for sale financial assets.

##### Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with maturity of three months or less. For purpose of cash flow statement, cash and cash equivalents consists of cash and cash equivalent as defined above, net of outstanding bank overdrafts.

##### Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event in which 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. 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 provision due to passage of time is recognised as a borrowing cost.

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Authority contributes to a defined contributions plan and a defined benefit plan.

##### (i) Pension obligations

Under the defined contribution plan, the Authority's employees are members of state owned pension schemes, the Public Service Pension Fund (PSPF) and National Social Security Fund (NSSF). The Authority contributes to the schemes 15% and 10% of gross salary for each employee, and employee contributes 5% and 10% respectively. The Authority's contributions to the fund are charged to the profit or loss in the period in which they relate.

##### (ii) Short term benefits

The cost of all short term employee benefits such as salaries, employee's entitlements to leave pay, medical aids, long service award, and other contributions etc are recognised during the period in which the employee renders related services.

##### (iii) Terminal benefits

Termination benefits are payable when employment is terminated by the Authority before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after reporting date are discounted to present value.

##### (iv) Gratuity benefits

The Authority provides gratuity benefits to its contract employee's payable on expiry of the contract. The Authority contributes 25% of the basic salary towards that fund. Gratuity is charged to profit or loss during the period in which the employee renders related services.

##### **Value Added Tax (VAT)**

The Authority being government department is not registered for Value Added Tax (VAT). No VAT is charged for all invoices raised by the Authority. VAT incurred on a purchase of assets and services is not recoverable and are therefore recognised as part of the cost of asset purchased or expense incurred.

##### **Trade and other payables**

Trade and other payables are stated at their nominal value. Trade payables are non-interest bearing and are normally settled between 15 to 30 days when the company collects premiums from customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES**

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

**(i) Impairment provision**

Management carries out a regular review of the status of trade receivables, inventories and other financial assets to determine whether there is any indication that these assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, which is then dealt with in profit or loss. In determining whether an impairment loss should be recognized in the profit or loss, management checks whether there is objective evidence that the assets are impaired and that the fair values have declined. Management estimates of the required provisions are based on critical evaluation of the economic circumstances involved, historical experience and other factors that are considered to be relevant.

**(ii) Property and equipment, and intangible assets**

Management reviews the useful lives and residual values of the items of property, and equipment and intangible assets on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

**3. FINANCIAL RISK. MANAGEMENT**

The authority's activities expose it to a variety of financial risks, including credit risk, foreign currency exchange rates and interest rates. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance within the options available in Tanzania. Risk management is carried out by the accounting unit under the responsibility of the Board of Directors.

The most important types of risk are:

- Credit risk;
- Liquidity risk;
- Market risk (interest rate risk and exchange rate risk).

**Credit risk management**

Credit risk is managed on an entity-wide basis. Credit risk arises from cash and cash equivalents, deposits with banks, as well as trade and other receivables. The Authority assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

The Authority does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Authority defines counterparties as having similar Characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks.

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Credit risk management (Continued)

The amount that best represents the Authority's maximum exposure to credit risk at 30 June without taking account of the value of any collateral obtained was:

	2011 TZS '000	2010 TZS '000
Trade and other receivables	3,624,476	2,932,193
Term deposits	4,394,608	7,287,926
Cash at bank and in hand	<u>3,488,434</u>	<u>4,071,599</u>
	<u>11,507,518</u>	<u>14,291,718</u>

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The debt that is overdue is not impaired and continues to be paid. The finance department is actively following this debt.

The debt that is impaired has been fully provided for. However, management is actively following up recovery of the impaired debt. The movement in the provision for bad and doubtful debts is as set out below:

	2011 TZS '000	2010 TZS '000
At the beginning of the year	1,053,010	964,538
Provision for the year	<u>144,828</u>	<u>88,472</u>
At the end of the year	<u>1,197,838</u>	<u>1,053,010</u>

In determining the recoverability of a trade receivable, the authority considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors believe that there is no further provision required in excess of the allowance for doubtful debts already recognised.

##### Fair value of financial assets and liabilities

The Authority only has the available for sale investment earned at fair value. These are grouped into level 1 as per classification below:

- i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and
- iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

##### Liquidity risk management

This is monitored on a daily basis by the finance manager by monitoring of cash forecasts in consideration of maturing liabilities and assets.

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Liquidity risk management (Continued)

Maturity analysis for financial liabilities showing the remaining contractual maturities :

At 30 June 2011	<1 month	1 - 5	5 - 12	> 1 year	Total
	TZS'000	months TZS'000	months TZS'000	TZS'000	TZS'000
Trade and other payables	934,295	1,556,298	-	-	2,490,593
Borrowings	-	1,037,393	-	7,528,491	8,565,884
<b>Total</b>	<b>934,295</b>	<b>2,593,691</b>	<b>-</b>	<b>7,528,491</b>	<b>11,056,477</b>

At 30 June 2010					
Trade and other payables	2,009,740	795,695	-	-	2,805,435
Borrowings	-	2,128,847	-	7,967,735	10,096,582
<b>Total</b>	<b>2,009,740</b>	<b>2,924,542</b>	<b>-</b>	<b>7,967,735</b>	<b>12,902,017</b>

Maturity analysis for financial assets showing the remaining contractual maturities :

At 30 June 2011	<1 month	1 - 5	5 - 12	>1	Total
	TZS'000	months TZS'000	months TZS'000	TZS'000	TZS'000
Available for sale investments	-	-	-	14,261	14,261
Trade receivables	980,103	2,454,073	-	-	3,434,176
Term deposits	-	2,760,540	1,259,787	374,281	4,394,608
Cash and bank balances	3,488,434	-	-	-	3,488,434
<b>Total</b>	<b>4,468,537</b>	<b>5,214,613</b>	<b>1,259,787</b>	<b>388,542</b>	<b>11,331,479</b>

At 30 June 2010					
Available for sale investments	-	-	-	13,073	13,073
Trade receivables	599,678	2,332,515	-	-	2,932,193
Term deposits	-	5,432,727	1,500,694	354,505	7,287,926
Cash and bank balances	4,071,599	-	-	-	4,071,599
<b>Total</b>	<b>4,671,277</b>	<b>7,765,242</b>	<b>1,500,694</b>	<b>367,578</b>	<b>14,304,791</b>

##### Market risk management

The authority's activities expose it to the financial risk of changes in foreign currency exchange rates and interest rates.

##### Foreign currency risk management

The Authority's costs and expenses are principally incurred in Tanzanian Shillings (TZS) and US Dollars (US\$). The Authority does not enter into formal hedging transactions to manage its exposure to foreign exchange rate fluctuations. Volatility in the exchange rate of US \$ against TZS would make the Authority's costs and results less predictable than when exchange rates are more stable.

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Market risk management (Continued)

The carrying amounts of the Authority's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change as at 30 June 2011 are as follows:

	USD TZS'000	EUR TZS'000	Total TZS'000
Trade receivables	3,020,776	-	3,020,776
Cash and cash equivalents	4,440,499	374,281	4,814,780
Trade payables	<u>(1,193,583)</u>	-	<u>(1,193,583)</u>
Open position	<u>6,267,692</u>	<u>374,281</u>	<u>6,641,973</u>

The carrying amounts of the Authority's material foreign currency denominated monetary assets and liabilities that have an impact on profit or loss when exchange rates change, as at 30 June 2010 were as follows:

	USD TZS'000	EUR TZS'000	Total TZS'000
Trade receivables	2,145,720	-	2,145,720
Cash and cash equivalents	8,404,823	354,505	8,759,328
Trade payables	<u>(1,359,735)</u>	-	<u>(1,359,735)</u>
Open position	<u>9,190,808</u>	<u>354,505</u>	<u>8,545,313</u>

##### Foreign currency sensitivity analysis

At 30 June 2011, if the TZS had weakened/strengthened by 5% against the US \$ and Euro with all other variables held constant, the impact on surplus for the year would have been TZS 332,099,650 (2010: TZS 477,265,850) higher/lower.

##### Interest rate risk management

The authority is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by a close management monitoring control, The Authority's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section.

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk management (Continued)

Interest rate sensitivity analysis :

At 30 June 2011, If the interest rate had increased/lowered by 5% with all other variables held constant, the impact on surplus for the year would have been TZS 428, 294, 216 (2010: TZS 504, 831, 613) higher/lower.

Financial Instrument categorization

30 June 2011

	Loans and receivables TZS'000	Financial liabilities carried at amortized costs TZS'000	Non financial liabilities or assets TZS'000	Equity TZS'000	Total TZS'000
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Property, plant and equipment	-	-	25,484,619	-	25,484,619
Intangible asset	-	-	133,482	-	133,482
<b>Current Assets</b>					
Available for sale investment	14,262	-	-	-	14,262
Inventories	-	-	1,238,705	-	1,238,705
Trade and other receivables	3,434,176	-	607,317	-	4,041,493
Term deposits	4,394,608	-	-	-	4,394,608
Bank and cash balances	3,488,434	-	-	-	3,488,434
	11,331,480	-	27,464,123	-	38,795,603
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Capital fund	-	-	-	6,694,229	6,694,229
Investment revaluation reserves	-	-	-	11,030	11,030
Accumulated surplus	-	-	-	20,703,753	20,703,753
<b>Non current liabilities</b>					
Borrowings	-	7,528,491	-	-	7,528,491
<b>Current Liabilities</b>					
Funds held for special projects	-	-	330,114	-	330,114
Trade and other payables	-	2,490,593	-	-	2,490,593
Borrowings	-	1,037,393	-	-	1,037,393
	-	11,056,477	330,114	27,409,012	38,795,603

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instrument categorization (continued)

30 June 2011

	Loans and receivables TZS'000	Financial liabilities carried at amortized costs TZS'000	Non financial liabilities or assets TZS'000	Equity TZS'000	Total TZS'000
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Property, plant and equipment	-	-	23,468,754	-	23,468,754
Intangible asset	-	-	422,630	-	422,630
<b>Current Assets</b>					
Available for sale investment	13,073	-	-	-	13,073
Inventories	-	-	403,468	-	403,468
Trade and other receivables	2,932,193	-	432,548	-	3,364,741
Term deposits	7,287,926	-	-	-	7,287,926
Bank and cash balances	4,071,599	-	-	-	4,071,599
	14,304,791	-	27,727,400	-	39,032,191
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Capital fund	-	-	-	6,694,229	6,694,229
Investment revaluation reserves	-	-	-	9,842	9,842
Accumulated surplus	-	-	-	19,095,989	19,095,989
<b>Non current liabilities</b>					
Borrowings	-	7,967,735	-	-	7,967,735
<b>Current Liabilities</b>					
Funds held for special projects	-	-	330,114	-	330,114
Trade and other payables	-	2,805,435	-	-	2,805,435
Borrowings	-	2,128,847	-	-	2,128,847
	-	12,902,017	330,114	25,800,060	39,032,191

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2011 TZS '000	2010 TZS '000
<b>4. REVENUE</b>		
Air Navigation Services	12,279,032	10,005,178
Safety Fee	7,710,351	6,495,994
Landing and Parking Services	2,400,453	1,821,678
Air Service Licensing	1,232,147	1,005,764
Airworthiness Certification	380,269	298,154
Flight Operation Fees	143,997	198,665
Students' Fees	173,912	147,796
Personnel Licensing	146,611	131,727
Administration Fees	115,388	75,423
Airport Service Certification	48,662	48,505
Flight Safety Documents	2,495	4,551
AIP Log Book Sales	13,757	4,344
	<hr/>	<hr/>
TOTAL	24,647,074	20,237,779
Less: Share revenue due to Tanzania Meteorological Agency (TMA) 17.5% Air navigation fees	(2,149,990)	-1,750,906
	<hr/>	<hr/>
Net Revenue from operating activities	22,497,084	18,486,873

**\*Revenue Sharing Ratio**

Landing and Parking services amount is net amount receivable from Tanzania Airport Authority (TAA). Air Navigation and Landing charges sharing ratio is 82.5%, 0%, 17.5% and 30%, 60%, 10% for TCAA, TAA, and TMA respectively. TCAA collects and distributes the Air Navigation Services revenue in the given ratios.

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2011 TZS '000	2010 TZS '000
<b>5. OPERATING AND ADMINISTRATIVE COSTS</b>		
Depreciation and amortization	2,252,667	1,618,812
Seminars and conferences - Local and abroad	1,048,631	821,767
Other administrative costs (Note 6)	989,412	805,878
Repair and maintenance costs	843,048	1,866,473
Cleaning, office sundries, water and electricity	806,425	810,894
Training costs - Local and abroad	795,740	1,077,173
Inspection, safety oversight and accident investigation	736,579	573,978
SADC and CASSOA costs	710,620	832,486
Motor vehicle fuels, insurance and parking fees	558,110	452,711
Telephone and leased circuit charges	501,222	647,134
Printing, stationery, advertisement and publicity	452,959	396,734
Regional and tender meetings	356,105	197,001
Office rent	238,940	187,266
Transfer & Relief Duties	215,163	112,335
Computer supplies	198,992	184,866
Consumer consultative council costs	172,526	165,767
Security charges	153,322	163,496
IATA Commissions	144,092	127,504
Allowances for doubtful debts	144,828	90,957
Postage, fax and email	117,242	155,080
ISO 9000 certification	111,278	116,617
Bank charges	94,486	88,761
ICAD & family day	83,059	121,102
Publicity and promotional costs	59,006	114,794
Consultancy fees	24,515	68,547
Airport charges	-	-
Foreign exchange gain	(18,748)	(1,067,966)
	<u>11,790,219</u>	<u>10,730,167</u>
<b>6. OTHER ADMINISTRATIVE COSTS</b>		
Workers Council	137,555	72,057
Board of Directors	121,855	84,740
Strategic, Business & Budget Preparation	108,460	87,616
Audit Fees	93,535	83,896
Tughe Expenses	84,379	83,360
CATC Other Running Expenses	70,705	46,872
CATC Teaching Allowance	57,240	61,164
Medical Expenses	53,477	24,043
Publications Newspapers & Periodicals	52,956	39,757
Computer software maintenance	49,368	20,780
ICAO & Other Membership Contribution	38,141	94,092
MCT Expenses	32,307	27,664
Government Hospitality	23,977	15,715
CATC Student Allowances	21,445	12,453
Audit team expenses	19,077	18,100
Donation & Social Responsibility	13,361	15,524
Bench Marking & Cash in Transit	11,574	13,436
Search & Rescue	-	4,609
	<u>989,412</u>	<u>805,878</u>

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2011 TZS '000	2010 TZS '000
<b>7. STAFF COSTS</b>		
Salaries	6,061,914	4,394,392
Other staff costs (note 10)	860,570	729,947
Gratuity expense	523,380	391,356
Public Service Pension Fund contributions	500,694	365,607
Leave passage	388,732	359,073
Overtime	309,044	290,612
National Social Security Fund contributions	228,549	149,020
Health insurance contribution	173,941	138,634
Staff retirement	82,903	28,103
<b>Total</b>	<b>9,129,727</b>	<b>6,846,744</b>

**8. INTEREST EXPENSE**

Interest on borrowings	221,132	-
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The Authority capitalized interest from borrowings amounting to TZS 204.402 million (2010: TZS 433 million) in accordance to IAS 23- Borrowing costs (Revised). The standard permits entities to capitalize borrowing costs on qualifying assets until those assets are commissioned. Interest expense incurred after commissioning of Aviation House has been charged to profit of loss.

	2011 TZS '000	2010 TZS '000
<b>9. SURPLUS FOR THE YEAR</b>		
Surplus of income over expenditure is stated under charging:		
Depreciation and amortization	2,254,976	1,618,813
Audit committee expenses	25,370	18,100
Board of directors' meetings expenses	121,855	84,740
Consumer Consultative Council support	160,229	165,767

**10. OTHER STAFF COSTS**

Meal allowance	203,386	116,928
Shift allowance	118,023	100,841
Inspectors allowance	113,000	216,000
Staff uniform	74,108	660
Staff recruitment	70,893	91,343
Furniture allowance	64,500	10,500
Acting allowance	48,635	27,895
Transport allowance	46,803	44,842
Casual Labour & wages	38,335	33,233
House allowance	38,095	54,569
Death and condolences	25,644	16,03
Outfit allowance	9,900	15,600
Cash in transit allowance	9,249	-
Marriage allowance	-	1,500
<b>Total</b>	<b>860,571</b>	<b>729,947</b>

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. PROPERTY AND EQUIPMENT

Cost	Office building TZS '000	Motor vehicles TZS '000	Telecom & Navaid TZS '000	Furniture and fittings TZS '000	Computer TZS '000	Office Equipment TZS '000	Work in progress TZS '000	Total TZS '000
At 1 July 2009	1,489,271	1,270,036	9,614,105	892,362	1,406,729	1,049,961	6,020,454	21,742,918
Additions	129,025	147,260	3,581,588	69,755	159,422	105,659	5,959,171	10,151,880
At 30 June 2010	1,618,296	1,417,296	13,195,693	962,117	1,566,151	1,155,620	11,979,625	31,894,798
At 1 July 2010	1,618,296	1,417,296	13,195,693	962,117	1,566,151	1,155,620	11,979,625	31,894,798
Additions	2,092,597	175,995	1,349,579	72,266	215,583	73,365	-	3,979,385
Transfers	9,656,437	-	437,584	277,220	-	1,608,384	(11,979,625)	-
At 30 June 2011	13,367,330	1,593,291	14,982,856	1,311,603	1,781,734	2,837,369	-	35,874,183
<b>Depreciation:</b>								
At 1 July 2009	438,238	808,324	3,809,116	387,321	962,130	604,559	-	7,009,688
Charge for the year	63,132	184,759	733,166	92,007	192,343	150,949	-	1,416,356
At 30 June 2010	501,370	993,083	4,542,282	479,328	1,154,473	755,508	-	8,426,044
At 1 July 2010	501,370	993,083	4,542,282	479,328	1,154,473	755,508	-	8,426,044
Charge for the year	217,362	298,125	1,001,991	108,078	163,416	174,547	-	1,963,519
At 30 June 2.011	718,732	1,291,208	5,544,273	587,406	1,317,889	930,055	-	10,389,563
NBV 30 June 2010	1,116,926	424,213	8,653,411	482,789	411,678	400,112	11,979,625	23,468,754
NBV 30 June 2011	12,648,598	302,083	9,438,583	724,197	463,845	1,907,314	-	25,484,620

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2011 TZS '000	2010 TZS '000
<b>12. INTANGIBLE ASSETS</b>		
<b>Software Costs</b>		
<b>COST</b>		
At 1 July	1,143,879	979,713
Additions	<u>-</u>	<u>164,166</u>
At 30 June	<u>1,143,879</u>	<u>1,143,879</u>
<b>AMORTIZATION</b>		
At 1 July	(721,249)	(518,792)
Charge for the year	<u>(289,147)</u>	<u>(202,457)</u>
At 30 June	<u>(1,010,396)</u>	<u>(721,249)</u>
<b>NET BOOK VALUE</b>		
At 30 June	<u>133,483</u>	<u>422,630</u>
<b>13. AVAILABLE FOR SALE INVESTMENT</b>		
At 1 July	13,073	11,587
Effects of changes in fair value	<u>1,188</u>	<u>1,486</u>
	<u>14,261</u>	<u>13,073</u>

Available for sale investments represent 7,428 equity shares of Twiga Portland Cement Company Ltd purchased during the Initial Public Offering at a cost of TZS 435 per share.

During the year, the Authority earned dividends income from the shares amounting to TZS 945,258 (2010; TZS 965,640).

	2011 TZS '000	2010 TZS '000
<b>14. INVENTORY</b>		
Maintenance and technical supplies	1,032,598	213,078
Stationery	206,108	140,514
Consumable supplies	<u>-</u>	<u>49,876</u>
	<u>1,238,706</u>	<u>403,468</u>

TANZANIA CIVIL AVIATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>2011</b> <b>TZS '000</b>	<b>2010</b> <b>TZS '000</b>
<b>15. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	3,361,320	2,817,919
Staff receivables	99,810	104,466
Due from related parties (Note 24)	1,141,096	1,016,052
Other receivables	<u>204,505</u>	<u>46,766</u>
	4,806,731	3,985,203
Allowance for doubtful debts	<u>(1,197,838)</u>	<u>(1,053,010)</u>
	<u>3,608,893</u>	<u>2,932,193</u>
<b>16. TERM DEPOSITS</b>		
Bank deposits maturing within 3 months (Note 17)	2,760,540	5,432,727
Restricted fund*	374,281	354,505
Bank deposits maturing after 3 months	<u>1,259,787</u>	<u>1,500,694</u>
	<u>4,394,608</u>	<u>7,287,926</u>

\*Restricted funds related to funds received from ICAO (Note 20), which are not subject to use until the project starts.

Term bank deposits represent the amounts invested in fixed deposits with commercial banks for fixed terms with an average interest rate of 3.7%. (2010; 4%).

**17. CASH AND CASH EQUIVALENTS**

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	<b>2011</b> <b>TZS '000</b>	<b>2010</b> <b>TZS '000</b>
Term Deposits-maturing within 3 months (Note 16)	2,760,540	5,432,727
Cash and bank balances	<u>3,488,434</u>	<u>4,071,599</u>
	<u>6,248,974</u>	<u>9,504,326</u>

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 18. CAPITAL FUND

By the provisions contained in the Civil Aviation Act (Act 10,) 2003, all movable and immovable properties which immediately before the commencement of the Act were vested in the former TC, established under Executive Agencies Act.No.3 of 1997, vested in the Tanzania Civil Aviation Authority subject to all interests, liabilities, charges, obligations and trusts affecting those properties. Consequently, the capital fund represents part of the net assets and liabilities then identified and taken over by the Authority after transferring residential buildings to Tanzania Building Agency in July 2003 and adjustment of overstated trade receivables.

#### 19. ACCUMULATED SURPLUS

The Civil Aviation Act No 10 of 2003, which has been consolidated with the Civil Aviation Act of 1977 and now cited as the Civil Aviation Act Cap 80 of 2006. The Act requires the Authority to deposit surplus income to a special account and use those funds for specific industry development purposes and that section 48(1) requires the Authority to establish and contribute towards a training fund. As at 30 June 2011; the Accumulated Surplus had a total balance of TZS 20,271,155,000 (2010: TZS 18,663,391,000). This accumulated surplus is represented by fixed deposits, Training Pilots and Aircraft Maintenance Engineers and capital investments of the Authority.

#### 20. BORROWINGS

The borrowings are analysed as follows:

	2011 TZS '000	2010 TZS '000
<b>Non Current Portion</b>		
Long term loan from Treasury	925,044	1,958,193
Long term loan from Commercial Bank of Africa	6,603,447	6,009,542
	<u>7,528,491</u>	<u>7,967,735</u>
<b>Current Portion</b>		
Long term loan from Commercial Bank of Africa	427,393	1,518,847
Long term loan from Treasury	610,000	610,000
	<u>1,037,393</u>	<u>2,128,847</u>
<b>Total borrowings</b>	<u><b>8,565,884</b></u>	<u><b>10,096,582</b></u>

Details of the borrowings are as follows:

##### (i) Long term loan from Treasury

The Government of United Republic of Tanzania obtained a loan of Euro 4,650,000 from European Investment Bank towards improvement of the Air Traffic Equipment at the J. Nyerere International Airport. Subsequently the Government entered into a lending agreement with the then Tanzania Civil Aviation Authority. The amount lent was free of interest. One of the terms and conditions of lending agreement was the conversion of the facility in Tanzanian Shillings using Bank of Tanzania exchange rate applicable in the date of receiving the loan. The converted loan amounted to TZS 4,391,580,903.

The Authority has been repaying the loan every year with the loan expected to be fully repaid by July 2013. As of 30 June 2011 TZS 1,037,393,000, became current and has been disclosed as part of current liability in the statement of financial position.

##### (ii) Long term from Commercial Bank of Africa

The Authority has a borrowing facility from Commercial Bank of Africa for TZS 6.25 billion repayable in five years towards the construction of TCAA Headquarters at the interest of 7% per annum. The drawdown as at 30 June 2011 was US\$ 5,400,000, which is equivalent to TZS 7,523,874,000.

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 20. BORROWINGS (Continued)

##### (iii) Short term loan from Commercial Bank of Africa

The Authority in July 2010, borrowed Short Term Loan from Commercial Bank of Africa

USD 1,000,000 which was equivalent to TZ.S 1,509,000,000 to pay maturing Aviation House obligations from Main Contractor and Subcontractors. The Short Term Facility was repaid by November 2010 as agreed.

#### 21. EMPLOYEE BENEFITS

##### (i) Retirement Benefits

The Authority contributes to a pension scheme administered by the Public Service Pension Fund (PSPF) and a scheme administered by the National Social Security Fund (NSSF) depending on terms of employment.

In addition, the Authority has an endowment scheme administered by a voluntary agreement between management and TUGHE as provided for in the staff benefit package to provide retirement benefits to employees reaching retirement age. The retired employee is paid in material or monetary equivalent to the material based on the length of service

The cost of the endowment scheme and the retirement age benefits are fully met by the Authority. Contributions to these funds are recognised as an expense in the period the employees render the related services.

##### (ii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange of these benefits.

The Authority recognises termination benefits when it is constructively obliged to either terminate the employment or the current employees according to detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer to encourage voluntary redundancy. The expense recognised by the Authority during the year was as follows:

	<b>2011</b>	<b>2010</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Endowment Scheme (Staff retirement benefits)	82,903	28,103
Public Service Pension Fund	500,694	365,607
National Social Security Fund	228,549	149,020
Gratuity for contract staff	523,380	391,356
	<hr/>	<hr/>
<b>Total</b>	<b>1,335,526</b>	<b>934,086</b>
	<hr/>	<hr/>

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 21. EMPLOYEE BENEFITS (Continued)

##### (iii) Provision for Gratuity. contract staff

Under the contract of employment the Authority contributes to Public Service Pension Fund and National Social Security Fund for future retirement benefit for its employees. However, the Authority charges gratuity expense in profit or loss and maintains gratuity payable account for future payment to contract staff. Gratuity relates to long service award to employees and is computed at 25% of the employees' basic salary. The movement in the provision for gratuity was as follows:

	<b>2011</b>	<b>2010</b>
	<b>TZS '000</b>	<b>TZS '000</b>
At 1 July	795,695	624,567
Charge for the year	523,380	391,356
Released during the year	(405,860)	(220,228)
	<hr/>	<hr/>
Balance at 30 June	913,215	795,695
	<hr/>	<hr/>

#### 22. FUNDS HELD FOR SPECIAL PROJECT

The Authority received Euro 188,852, which was equivalent to TZS 330,113,978 on 30 September 2006 from International Civil Aviation Organization (ICAO) in respect of integration and harmonisation of the East African Safety Oversight Project. As at the end of the reporting period, the project has not commenced and the funds are held in a separate fixed deposit account until the time of implementation of the project.

#### 23. TRADE AND OTHER PAYABLES

	<b>2011</b>	<b>2010</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Trade payables	1,554,026	1,958,811
Other payables	23,351	50,929
	<hr/>	<hr/>
	1,577,377	2,009,740

#### 24. RELATED PARTY TRANSACTIONS AND BALANCES

Tanzania Civil Aviation Authority is a body corporate established on 1 November 2003 under Civil Aviation Act No. 10 of 2003. The Authority is 100% owned by Government of United Republic of Tanzania through the Treasury Registrar.

During the year the Authority did not have significant transactions with related parties:

Due from related party

	<b>2011</b>	<b>2010</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Tanzania Airport Authority	585,414	490,035
Air Tanzania Company Limited	502,703	71,734
Ministry of Infrastructure and Development*	52,446	448,446
Government Flight Agency	533	5,837
	<hr/>	<hr/>
	1,141,096	1,016,052
	<hr/>	<hr/>

\*The amount due from Ministry of Infrastructure Development relate to expenses paid by the Authority on their behalf and has been fully provided for. During the year the Authority was advised to transfer TZS 396 million from Ministry of Transport to Air Tanzania Company Limited.

## TANZANIA CIVIL AVIATION AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 24. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

##### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Authority, directly or indirectly. Key management personnel have been defined as the executive directors of the Authority, and members of the Authority's senior management.

##### Compensation relating to key management personnel

The remuneration of directors and other members of key management during the year were follows:

	2011 TZS '000	2010 TZS '000
Short term benefits	590,470	571,574

#### 25. CAPITAL COMMITMENTS

As at 30 June 2011 the Authority had a total capital commitments amounting to TZS 2,450,450,000 for construction of the Authority's Head Office building in Dar es Salaam, installation of VOR/DME in Mwanza, Air Navigation Equipment and at Julius Nyerere International Airport - Dar es Salaam.

	2011 TZS '000	2010 TZS '000
Approved but not contracted for	950,450	1,576,307
Approved and contracted for	1,500,000	4,500,000
Total	2,450,450	6,076,307

#### 26. CONTINGENT LIABILITIES

The Authority has a pending court case whereby former employees are suing the Authority for unfair dismissal. The employees are demanding a compensation of TZS 40 million. The outcome of the cases depends on court ruling. Directors have assessed that no likely liability is expected to occur and have made no provision in the financial statements.

#### 27. ULTIMATE OWNER OF THE AUTHORITY

The Tanzania Civil Aviation Authority is a body corporate established under The Civil Aviation Act No. 10 of 2003, now Civil Aviation Act, (Cap 80) of 2006.

The Government of the United Republic of Tanzania is the ultimate owner of the Authority.

#### 28. REPORTING CURRENCY

These financial statements are presented in Tanzania Shillings (TZS '000).





Designed and Printed by:  
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