

**PRECISION AIR SERVICES PLC**  
**ANNUAL REPORT AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

## PRECISION AIR SERVICES PLC

### ANNUAL REPORT AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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**PRECISION AIR SERVICES PLC**

**CORPORATE INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>PRINCIPAL PLACE OF BUSINESS:</b>	DIAMOND PLAZA MIRAMBO STREET, 1 <sup>ST</sup> FLOOR P.O. BOX 70770 DAR ES SALAAM
<b>REGISTERED OFFICE:</b>	NEW SAFARI HOTEL BOMA ROAD P.O BOX 1636 ARUSHA
<b>BANKERS:</b>	CRDB BANK PLC P.O. BOX 3150 ARUSHA  STANBIC BANK P.O. BOX 3062 ARUSHA  KCB BANK TANZANIA P.O. BOX 804 DAR ES SALAAM  NATIONAL BANK OF COMMERCE LIMITED P.O BOX 157 ZANZIBAR  STANDARD CHARTERED BANK P.O. BOX 30003 NAIROBI, KENYA  I&M BANK P.O BOX 30238 NAIROBI, KENYA  CITI BANK TANZANIA LIMITED P.O. BOX 71625 DAR ES SALAAM
<b>GROUP SECRETARY:</b>	MIGIRE MIGIRE P.O. BOX 70770 DAR ES SALAAM
<b>GROUP AUDITOR:</b>	KPMG CERTIFIED PUBLIC ACCOUNTANTS 2 <sup>nd</sup> FLOOR, THE LUMINARY HAILE SELASSIE ROAD, MASAKI P.O. BOX 1160 DAR ES SALAAM, TANZANIA

# PRECISION AIR SERVICES PLC

## HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2020

<u>GROUP</u>	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
	<u>TZS '000</u>	<u>TZS '000</u>
<b><u>Revenue</u></b>		
Passenger	42,424,679	94,581,383
Interline revenue	7,980	62,956
Freight and mail	575,542	863,081
Cancellation income	549,384	570,310
No show fees and other charges	981,807	1,251,027
Passenger tickets writeback	2,978,008	3,723,672
Fuel surcharge	9,360,320	23,433,665
<b>Total</b>	<b>56,877,720</b>	<b>124,486,094</b>
Direct expenditure	(72,449,650)	(126,923,565)
<b>Gross profit</b>	<b>(15,571,930)</b>	<b>(2,437,471)</b>
<b>Gross profit margin %</b>	<b>(27) %</b>	<b>(2%)</b>
<b>Operating loss</b>	<b>(29,108,004)</b>	<b>(24,522,563)</b>
Finance costs	(15,978,969)	(19,616,476)
<b>Loss before income tax</b>	<b>(45,086,973)</b>	<b>(44,139,039)</b>
Income tax expense	-	-
<b>Loss for the year</b>	<b>(45,086,973)</b>	<b>(44,139,039)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(45,086,973)</b>	<b>(44,139,039)</b>
Earnings per share (TZS)	(280.96)	(275.06)
<b><u>OPERATING STATISTICS</u></b>		
Passengers	245,875	483,766
Revenue passenger kilometre (RPK's) ('000)	122,232	216,818
Available seats kilometre (ASK's) ('000)	247,922	413,542
Passenger load factor	49%	52%
Yield per RPK (USc)	15.03	18.93
Employees	383	398
ASK's per employee - '000	652	1,039
Revenue per employee - TZS'000	64,790	135,809
Loss per employee - TZS'000	(118,650)	(110,902)
Block hours	11,181	19,354
<b><u>Fleet size at year end</u></b>		
ATR 72 - 500	5	5
ATR 42 - 600	2	2
ATR 42 - 500	2	2
ATR 42 - 320	1	1
<b>Total numbers of aircraft</b>	<b>10</b>	<b>10</b>
<b><u>Grounded aircraft (out of the above total fleet size)</u></b>		
ATR 42 - 320	1	1
ATR 42 - 600	2	2
<b>Total</b>	<b>3</b>	<b>3</b>

# PRECISION AIR SERVICES PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 INTRODUCTION

The Directors present their annual report together with the consolidated and separate audited financial statements for the year ended 31 December 2020 which disclose the state of affairs of Precision Air Services Plc (the "Company") and its subsidiaries (together the "Group").

The consolidated and separate financial statements for the year ended 31 December 2020 were approved and authorized for issue by Directors as indicated on the statement of financial position.

### 2 INCORPORATION

The Company and its subsidiaries are incorporated in Tanzania under the Companies Act, 2002 as public companies limited by shares.

### 3 GROUP'S VISION

To be the airline of choice and catalyst for change.

### 4 GROUP'S MISSION

To provide superior airline services that are customer-focused, reliable, and competitive.

### 5 PRINCIPAL ACTIVITIES

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

The Company flies to thirteen (13) destinations (2019: 13) within (domestic destinations) and outside Tanzania (regional destinations). Domestic destinations include Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Kigoma, Tabora, Musoma, Seronera - Serengeti, Kahama and Zanzibar. Regional destinations include Nairobi and Entebbe.

The Company has two (2) subsidiaries, Precision Handling Limited and Precise Systems Limited. Precision Handling Limited provides ground handling services in Dar es Salaam, Kilimanjaro, and Mwanza while Precise Systems Limited used to distribute the Galileo Reservation system to airlines and travel agents in Tanzania. All subsidiaries are dormant.

### 6 PERFORMANCE FOR THE YEAR

#### Capacity offered to the market

The Available Seats Kilometre (ASK) released to the market amounted to 248 million (2019: 414 million) which is a decrease of 40%.

#### Capacity utilized

Total passengers carried in the network during the financial year was 245,875 compared to a prior-year level of 483,766 thus a decrease of 49% compared to the prior year. The decrease is because of the impact of Covid 19 pandemic which resulted in a decrease in operation as compared to the year ended 31 December 2019. There was a significant change in terms of frequencies offered and routes operated for the year ended 31 December 2020 compared to the period ended 31 December 2019.

The Revenue Passenger Kilometre (RPK) achieved from the market was 122 million (2019: 217 million) which is a decrease of 44% compared to the prior year.

#### Yields

Yield per RPK achieved during the year was 15.03 US Cents (USc) (2019: USc 18.93).

#### Profitability

During the year the Group recorded a loss of TZS 45.1 billion (2019: loss of TZS 44.1 billion), whereas the Company recorded a loss of TZS 44.9 billion (2019: loss of TZS 44.0 billion). Detailed financial results of the Group and Company for the year are set out on page 18.

## PRECISION AIR SERVICES PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 7 FUTURE DEVELOPMENTS AND PLANS

The Group will continue to focus on improving profitability and liquidity to ensure the airline remains competitive in the market by increasing revenues and maintaining costs at reasonable levels. The key focus areas will be:

- Reviving the fleet that is on AOG (Aircraft on ground);
- Cost management;
- Route rationalization;
- Customer service enhancement;
- Invest in smart technologies;
- Schedule integrity & on-time performance;
- Enhancement of distribution channels;
- Review the entire network and create a mini hub concept;
- Continue operationalization of the Company's Strategic Thrust with the nine (9) focus areas into tangible action areas (232 in total) for visibility and accountability in implementation with clear timelines- reviewed and measured on a monthly/quarterly basis;
- Stabilization of the operations- continue with engine overhauls and recovery of engines to operate a minimum of 5 aircraft in order to enhance operational reliability;
- More selling on the online platform to improve the product distribution and reduce distribution costs;
- Conclude the PW/KQ joint venture agreement on the key routes i.e., NBO/DAR, NBO/JRO & NBO/ZNZ;
- Finalized interline agreement with ATCL on international and domestic routes and continue the domestic Tanzania and Kenya codeshares for KQ/PW for increased feed/de-feed purposes;
- Continue to pursue new customers on third-party maintenance services that is aimed at generation of additional revenues through active sell of the MRO services;
- Pursue additional revenue generation through the set-up of the ATO (Airline Training Organization) and increase the required skills sets in the country;
- Decrease company training costs and conduct more inhouse trainings;
- Continue to pursue restructuring of the aircraft loan facility and entire balance sheet; and
- Continuous engagement of creditors to agree on payment plans based on paying ability of the Company and in line with projected cash flows.

#### 8 STOCK EXCHANGE INFORMATION

During the year, there was no fluctuation in the Company's share price. At the close of the financial year the Company's share was trading at the Dar es Salaam Stock exchange at TZS 470 per share (31 Dec 2019: TZS 470 per share).

#### 9 DIVIDENDS

The Directors do not recommend payment of dividend (31 December 2019: Nil).

#### 10 SOLVENCY AND GOING CONCERN EVALUATION

The Group and Company's state of affairs is set out on pages 19 and 20 of the financial statements.

The Group incurred a net loss of TZS 45.1 billion during the year ended 31 December 2021 (2019: loss of TZS 44.1 billion) and as of that date, the Group's current liabilities exceeded its current assets by TZS 471.8 billion (2019: TZS 451.7 billion). The Group was also in a shareholders' deficit position of TZS 396.4 billion as of that date (2019: TZS 351.3 billion).

Furthermore, during the year ended 31 December 2020, the Company incurred a net loss of TZS 44.9 billion (2019: loss of TZS 44.0 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 471.8 billion (2019: TZS 451.7 billion). The Company was also in a shareholders' deficit position of TZS 396.8 billion as at that date (2019: TZS 351.8 billion).

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

On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organization, and most governments continue taking restrictive measures to contain its further spread affecting the free movement of people and goods. Currently, the spread of COVID-19 has contributed to a material uncertainty on the entity's ability to continue as a going concern.

## PRECISION AIR SERVICES PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

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

Directors have reviewed these considerations and the results of this assessment have been documented and presented in the financial statements as set forth in Note 3 (c) of the financial statements.

Subject to the comments and the conclusions made in Note 3 (c) of these financial statements the Directors believe that the Group will remain a going concern for at least twelve months from the date of this report.

#### 11 RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in Note 29 of the consolidated and separate financial statements.

#### 12 CAPITAL STRUCTURE AND DEBT FINANCING

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

##### Authorised share capital

242,000,000 ordinary shares of TZS 20 each (31 December 2019: 242,000,000 ordinary shares of TZS 20 each).

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

160,472,720 ordinary shares of TZS 20 each (31 December 2019: 160,472,720 ordinary shares of TZS 20 each).

##### Share premium

The Group realized from the 2012 Initial Public Offering (IPO), a share premium of TZS 10.491 million. There were no changes in the share premium during the year under review.

##### Loans

The Group is financed by loans amounting to TZS 365.1 billion as of year-end (2019: TZS 350.7 billion).

These loans have been classified as current in these financial statements due to a breach of covenants in the loan agreements. For more details, refer to Note 25 of the financial statements.

#### 13 SHAREHOLDING

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

Name	31 December 2020			31 December 2019		
	No. of shares	% Shareholding	Amount TZS'000	No. of shares	% Shareholding	Amount TZS'000
Michael N. Shirima	68,857,650	42.91	1,377,153	68,857,650	42.91	1,377,153
Kenya Airways Limited	66,157,350	41.23	1,323,147	66,157,350	41.23	1,323,147
Public	25,457,720	15.86	509,154	25,457,720	15.86	509,154
	<b>160,472,720</b>	<b>100.00</b>	<b>3,209,454</b>	<b>160,472,720</b>	<b>100.00</b>	<b>3,209,454</b>

## PRECISION AIR SERVICES PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 13 SHAREHOLDING (CONTINUED)

The distribution of shareholders as of 31 December 2020 were as follows:

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

\* The Group operates an Employee Share Ownership Scheme that was set up during the Initial Public Offering in 2011. The scheme is inactive and currently holds 1,765,300 shares (2019: 1,765,300 shares). This is a trust that was established during the Initial Public Offering (IPO) to enable staff to purchase shares collectively.

#### 14 COMPOSITION OF THE BOARD OF DIRECTORS

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

<u>Name</u>	<u>Nationality</u>	<u>Position</u>	<u>Age</u>	<u>Appointment</u>	<u>Resignation</u>
Mr. Michael N. Shirima	Tanzanian	Chairman	80	16 January 1991	N/A
Mr. Sebastian Piotr Mikosz	Polish	Director	50	29 June 2017	5 February 2020
Mr. Avelyne Msaki	Tanzanian	Director	48	29 August 2016	N/A
Ms. Hellen Muthoni Mathuka	Kenyan	Director	49	20 March 2018	N/A
Mr. Abdulrahman Omar Kinana	Tanzanian	Director	72	18 April 2018	N/A
Mr. Julius Ngunu Thairu	Kenyan	Director	47	1 September 2018	26 August 2021
Mr. Evans Ndorosey	Tanzanian	Director	73	19 December 2019	N/A
Mr. Allan Kilavuka Inuani	Kenyan	Director	51	27 February 2020	N/A
Mr. Dickson Murianki	Kenyan	Director	54	26 August 2021	N/A

The Group company secretary during the year was Mr. Migire Migire.

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

As shown in item 13 above, Mr. Michael N. Shirima holds 42.91% of the Company's issued ordinary share capital. None of the other Directors holds an interest in the Company.

#### 16 DIRECTORS' REMUNERATION

The Directors are entitled to sitting allowance for every meeting of the Board or its committees as follows:

	<u>31 December</u> <u>2020</u>	<u>31 December</u> <u>2019</u>
	<u>TZS '000'</u>	<u>TZS '000'</u>
Chairman of the board	6,254	6,236
Other Directors	34,398	24,944

Other fees paid during the year to the Directors':

Chairman of the board	391,589	389,525
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## PRECISION AIR SERVICES PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 17 ORGANISATION STRUCTURE

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

- Managing Director's Office;
  - Legal; and
  - Internal Audit.
- Finance and Information Systems;
- Commercial and Ground Handling;
- Human Resources and Administration;
- Flight Operations;
- Maintenance and Engineering; and
- Quality, Safety and Security.

#### 18 KEY MANAGEMENT PERSONNEL

The key management personnel who served the Group during the year up to the date of this report were:

Mr. Patrick Mwanri	- Group Managing Director & CEO
Mr. Deusdedit Mussa	- Head of Finance and Information Systems
Ms. Lilian Massawe	- Head of Commercial and Ground Handling
Ms. Reynada Sikira	- Head of Human Resources and Administration;
Mr. Peter Fiwa	- Head of Flight Operations;
Mr. Pablo Alves	- Head of Maintenance and Engineering;
Mr. Khalid Kaude	- Head Quality, Safety and Security (Appointed 19 July 2021);
Ms. Wendy Benedict	- Chief Internal Auditor (Appointed on, 1 April 2020); and
Mr. Migire Migire	- Chief Legal Counsel and Company Secretary.

None of the mentioned key management personnel are members of the Company's Board of Directors.

#### 19 ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of going concern.

The Group's significant accounting policies, which are laid out under Note 4 of the financial statements are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

#### 20 INVESTMENTS

The Company has invested in two (2) subsidiaries, Precision Handling Limited and Precise Systems Limited.

Precision Handling Limited was incorporated in Tanzania in 2010 and 99.99% of its share capital is held by Precision Air Services Limited. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a license to serve other third-party airlines.

Precise Systems Limited was incorporated in Tanzania in 2011 and 99% of its share capital is held by Precision Air Services Limited. The subsidiary used to distribute the Galileo Reservation system to Airlines and Travel Agents in Tanzania. The Subsidiary commenced operations on 1 July 2012 and stopped operations in 2015.

All subsidiaries are dormant.

#### 21 ACQUISITIONS AND DISPOSALS

There was no disposal or acquisition of business during the year ended 31 December 2020 (2019: Nil). Acquisitions and disposals of properties and equipment are disclosed on Note 15 of the financial statements.

#### 22 POLITICAL AND CHARITABLE DONATIONS

There was a contribution to community projects and other charitable organizations during the year of TZS 2.7 million (2019: TZS 0.9 million). No political donations were made during the year (2019: Nil).

## **PRECISION AIR SERVICES PLC**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

#### **23 EMPLOYEES' WELFARE**

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

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

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

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

The Group provides Personal Protective Equipment (PPEs) as per the required working environment. As the year 2020 was a C-19 pandemic year, the Group did comply with Hygiene Safety protocols as advised by the Ministry.

The number of employees in the Group at the end of the year totaled 383 as compared to 398 at the end of the year ended 31 December 2019. None of the subsidiaries had an employee.

##### **Training Facilities**

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

##### **Medical Assistance**

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

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

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

##### **Retirement Benefits**

Group and Company employees are members of the National Social Security Fund ("NSSF"), a publicly administered pension plan on a mandatory basis. The Company contributes 10% of the employees' gross salaries to the pension schemes.

#### **24 GENDER PARITY**

The Group is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion, and disability which do not impair the ability to discharge duties. As at 31 December 2020, the Group had 233 male and 150 female employees (31 December 2019: 252 male and 146 female employees).

#### **25 DISABLED PERSONS**

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

# PRECISION AIR SERVICES PLC

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

### 26 CORPORATE GOVERNANCE

#### Code of Corporate Practice and Conduct

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

#### Board of Directors

The full Board meets at least four (4) times a year. The Directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational, and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for the conduct of day-to-day business to the Group Managing Director who is also the Chief Executive Officer (CEO). The Board nonetheless retains responsibility for establishing and maintaining the airline's overall internal control of financial, operational, and compliance issues.

All seven (7) members of the Board are non-executive including the chairman of the Board.

#### Committees of the Board

The Board has one standing committee, namely the Audit Committee of the Board, which meets regularly under the terms of reference set by the Board. The committee meets four times a year or more as necessary. Its members comprise Mr. Avelyne Msaki (Chairman), Mr Abdulrahman Kinana (replaced Mr. Vincent M. Shirima in 2021), and Ms. Hellen Muthoni Mathuka. Its responsibilities include a review of the financial statements, compliance with Accounting Standards, liaison with the external auditors, remuneration of the external auditors, and maintaining oversight of internal control systems. The Chief Internal Auditor, Head of Finance and Information Systems, and Group Managing Director/Chief Executive Officer attend all meetings of the committee. The external auditors attend the meetings on invitation.

The Board met three (3) times during the year ended 31 December 2020 and the audit committee met three times.

Name	90 <sup>th</sup> BOD meeting	91 <sup>st</sup> BOD meeting	92 <sup>nd</sup> BOD Meeting	48 <sup>th</sup> BAC meeting	49 <sup>th</sup> BAC meeting	50 <sup>th</sup> BAC meeting
1 Mr Michael Shirima	√	√	√	*	*	*
2 Mr Allan Kilavuka	*	√	√	√	√	√
3 Mr. Avelyne Msaki	√	√	√	X	√	√
4 Ms. Hellen Muthoni Mathuka	√	√	√	√	√	√
5 Mr Sebastian Mikosz	X	*	*	*	*	*
6 Mr. Abdulrahman Kinana	√	√	√	*	*	*
7 Mr. Evans Ndorosey	X	√	√	*	*	*
8 Julius Thairu	√	√	√	*	*	*

Key: √ attended the meeting; X absent with apology; R resigned; A Alternate representation \* Not a member.

#### Internal controls

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

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

## PRECISION AIR SERVICES PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 26 CORPORATE GOVERNANCE (CONTINUED)

##### Code of ethics

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

##### Directors' emoluments and loans

The emoluments paid to Directors for services rendered during the year ended 31 December 2020 are disclosed in Note 29 (b) of the financial statements. Neither at the end of the financial year nor at any time during the year was there any arrangement to which the Group is a party, whereby Directors might acquire benefits by means of the acquisition of the Company's shares. There were no Directors' loans at any time during the year.

#### 27 CORPORATE SOCIAL RESPONSIBILITY

The Group has identified three (3) key community areas of support in which it participates under the corporate social responsibility program. These are education, assisting orphans, and environmental conservation. During the year, there was no corporate social responsibility support that was provided.

#### 28 SECRETARY TO THE BOARD

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

#### 29 AUDITOR

The auditor, KPMG, have expressed their willingness to continue in office and is eligible for reappointment.

A resolution proposing the reappointment of KPMG as auditor of the Group and Company for the year ended 31 December 2021 will be put to the Annual General Meeting.

#### BY THE ORDER OF THE BOARD

Name: Michael Shirima

Name: Avelyne Msaki

Title: Chairperson

Title: Director

Date: 5 September 2022

Date: 5 September 2022

Signature: 

Signature: 

## PRECISION AIR SERVICES PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2020

The Group's Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view of Precision Air Services Plc comprising the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2002.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Group and Company to continue as a going concern and as disclosed in Note 3(c) to the consolidated and separate financial statements, are aware of a material uncertainty related to events and conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. As disclosed at Note 3(c), the directors have put in place measures and plans to ensure that the Group and Company will continue as a going concern at least 12 months from approval of these financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

#### Approval of the consolidated and separate financial statements

The consolidated and separate financial statements of Precision Air Services Plc, as identified in the first paragraph, were approved by the board of directors' on 5 September 2022.

Name: Michael Shirima

Name: Avelyne Msaki

Title: Chairperson

Title: Director

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

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

**PRECISION AIR SERVICES PLC**

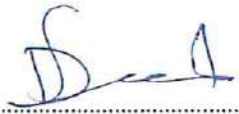
**DECLARATION OF THE HEAD OF FINANCE  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity and performance in accordance with applicable international accounting standards and statutory reporting requirements. Full legal responsibility for consolidated and separate financial statements rests with the Board of Directors as under the Statement of Directors' Responsibility on page 11.

I, **Deusdedit Mussa**, being the Head of Finance and Information Systems of Precision Air Services Plc hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the year ended 31 December 2020 have been prepared in compliance with the applicable accounting standards and statutory requirements.

I thus confirm that the consolidated and separate financial statements comply with applicable accounting standards and statutory requirement as on that date and that they have been prepared based on properly maintained financial records.

Signed by:  .....

Position: Head of Finance and Information Systems

NBAA Membership No.: ACPA 2132

Date: <sup>5</sup>..... September 2022



**KPMG**  
**Certified Public Accountants**  
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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC**

### **Report on the Audit of the Consolidated and Separate Financial Statements**

We have audited the consolidated and separate financial statements of Precision Air Services Plc ('the Group and Company') as set out on pages 18 to 66, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Precision Air Services Plc as at 31 December 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 3(c) of the consolidated and separate financial statements which indicate that the Group and Company incurred a net loss of TZS 45.1 billion and TZS 44.9 billion respectively during the year ended 31 December 2020 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by TZS 471.8 billion and TZS 471.8 billion respectively while their total liabilities exceeded their total assets by TZS 396.4 billion and TZS 396.8 billion respectively. In addition, the Group and Company also defaulted on their debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 365.1 billion being due on demand. As stated in Note 3(c), these events or conditions, along with other matters as set forth in Note 3(c), indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC (CONTINUED)**

**Report on the Audit of the Consolidated and Separate Financial Statements (Continued)**

*Key Audit Matters (Continued)*

Key Audit Matter	Procedures
<p><b>1. Passenger revenue recognition in the consolidated and separate financial statements (Refer to Note 4(a) and Note 7(a) to the consolidated and separate financial statements)</b></p> <p>During the year ended 31 December 2020, the Group and Company each recognised passenger revenue of TZS 56.9 billion.</p> <p>Passenger tickets sales, net of discounts and taxes are initially recorded as current liabilities in the "Sales in Advance of Carriage" account and recognised as revenue when the ticket is flown or expires. The Group's and Company's value of unused tickets in relation to passenger revenue at 31 December 2020 was TZS 14.9 billion.</p> <p>The timing of revenue recognition for unused passenger tickets requires judgement due to the timeframe over which revenue can be utilised. Management determines the value of unused tickets revenue using a combination of the terms and conditions of the underlying documents and the historical claiming trends.</p> <p>The accounting for passenger revenue also involves the recording of manual journals relating to the monthly posting of revenue transactions in the accounting records which increases risk of material misstatement considering passenger revenue transactions are voluminous.</p> <p>We have determined passenger revenue recognition to be a key audit matter because of the significant judgements involved in recognition of unused ticket revenues and the manual intervention in recognition of revenue.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of the revenue management processes and assessing the design and operating effectiveness of relevant controls including application controls over recognition of revenue using our own IT specialists;</li> <li>- Evaluating the appropriateness of the allocation of the transaction price to the multiple performance obligations and the timing of satisfaction of the performance obligations. This included evaluation of the timing of revenue recognition for unused tickets as well as flown passengers by comparing the recognized revenues to the terms of the respective tickets;</li> <li>- Inspecting on a sample basis the existence of revenue transactions during the period by agreeing sampled revenue transactions to the underlying supporting documentation such as passenger tickets and passenger manifest reports.</li> <li>- Evaluating the reasonability of management's policy for recognising the expired tickets by agreeing the expiry period to the terms and conditions of the tickets sold and the historically determined unclaimable period;</li> <li>- Reperforming a reconciliation between the total tickets sold, the total revenue recognised (i.e., the total uplifts in the year) including uplifts done by other carriers, the expired tickets recognised in revenue, and the sales in advance of carriage (i.e., the unutilised tickets);</li> <li>- Re-computing the write-back of expired tickets in the year based on terms and conditions of the ticket and historical trends as described in Note 6(ii);</li> <li>- Inspecting manual journals relating to the recognition of revenue posted to the revenue account by agreeing the journals to the supporting source documents such as passenger tickets and passenger manifest reports for validity;</li> <li>- Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 15, <i>Revenue from Contracts with Customers</i>.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC (CONTINUED)**

**Report on the Audit of the Consolidated and Separate Financial Statements (Continued)**

*Key Audit Matters (Continued)*

2. Aircraft impairment in the consolidated and separate financial statements (Note 6(i) and Note 15 to the consolidated and separate financial statements)	
<p>As at 31 December 2020, the Group and Company each had aircraft with a carrying amount of TZS 63.8 billion.</p> <p>We have determined aircraft impairment to be a key audit matter because:</p> <ul style="list-style-type: none"><li>• The identification of indicators of impairment and determination of the estimate of the recoverable amount of aircraft involves subjective judgments and uncertainties that require special audit consideration because of the likelihood and potential magnitude of misstatements to the values of aircraft. The determination of the recoverable amounts involves the use of assumptions such as half-life soft market values scenario and market price values informed by different variables such as the age of the aircraft, cumulative hours of flight, the cumulative number of cycles, and the economic and market conditions.</li></ul>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"><li>- Assessing the condition of aircraft and aircraft components through physical verification and inspection of the relevant data such as aircraft utilisation records;</li><li>- Assessing the appropriateness of the method used by management in the determination of the recoverable amount of aircraft by checking the acceptability and use of the method in the airline industry.;</li><li>- Assessing the competency, experience and independence of the expert used by management in the valuation of aircraft;</li><li>- Challenging the management's assumptions used in the determination of recoverable amounts of aircraft and its components such as the use of half-life market values through inquiries with technical engineers and inspection of technical reports by comparing the assumptions used with the prevailing aircraft and economic conditions; and</li><li>- Evaluating the adequacy of disclosures in the consolidated and separate financial statements disclosures in accordance with the requirements of IAS 36 <i>Impairment of Assets</i> and IFRS 13 <i>Fair Value Measurement</i>.</li></ul>

*Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the document titled *Precision Air Services Plc Annual Report and Consolidated and Separate financial statements for the year ended 31 December 2020* but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies Act, 2002, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC (CONTINUED)

### Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

#### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

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

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

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC (CONTINUED)**

**Report on Other Legal and Regulatory Requirements**

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

- in our opinion, proper accounting records have been kept by Precision Air Services Plc;
- the individual accounts are in agreement with the accounting records of the Group and Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- director's report is consistent with the consolidated and separate financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Group and Company is disclosed.

**KPMG**  
Certified Public Accountants (T)

Signed by engagement partner: CPA Vincent Onjala (TACPA 2722)  
Dar es Salaam

Date 6 September 2022

**PRECISION AIR SERVICES PLC**

**CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Group 31 Dec 2020 TZS '000	Group 31 Dec 2019 TZS '000	Company 31 Dec 2020 TZS '000	Company 31 Dec 2019 TZS '000
Revenue	7	56,877,720	124,486,094	56,877,720	124,486,094
Cost of sales	8	(72,449,650)	(126,923,565)	(72,449,650)	(126,923,565)
<b>Gross loss</b>		<b>(15,571,930)</b>	<b>(2,437,471)</b>	<b>(15,571,930)</b>	<b>(2,437,471)</b>
Other income	9	603,982	382,569	603,982	382,569
Marketing expenses	10	(1,113,098)	(2,145,381)	(1,113,098)	(2,145,381)
Administrative expenses	11	(12,980,465)	(21,777,613)	(12,830,935)	(21,628,068)
Net (increase)/decrease in impairment provisions for trade receivables	20	(46,493)	1,455,333	(46,493)	1,455,333
<b>Operating loss</b>		<b>(29,108,004)</b>	<b>(24,522,563)</b>	<b>(28,958,474)</b>	<b>(24,373,018)</b>
Finance costs	12	(15,978,969)	(19,616,476)	(15,978,969)	(19,616,476)
<b>Loss before income tax</b>		<b>(45,086,973)</b>	<b>(44,139,039)</b>	<b>(44,937,443)</b>	<b>(43,989,494)</b>
Income tax expense	23(c)	-	-	-	-
<b>Loss for the year</b>		<b>(45,086,973)</b>	<b>(44,139,039)</b>	<b>(44,937,443)</b>	<b>(43,989,494)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss</b>		<b>(45,086,973)</b>	<b>(44,139,039)</b>	<b>(44,937,443)</b>	<b>(43,989,494)</b>
<b>Loss attributable to:</b>					
Owners of the Company	14	(45,086,823)	(44,138,889)	-	-
Non-controlling interest		(150)	(150)	-	-
		<b>(45,086,973)</b>	<b>(44,139,039)</b>	-	-
<b>Earnings Per Share (TZS)</b>	34	<b>(280.96)</b>	<b>(275.06)</b>	<b>(280.03)</b>	<b>(274.12)</b>

The notes on pages 23 to 66 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 13-17

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020

	Notes	Group 31 Dec 2020 TZS '000	Group 31 Dec 2019 TZS '000	Company 31 Dec 2020 TZS '000	Company 31 Dec 2019 TZS '000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property and equipment	15	79,406,202	104,586,629	79,273,908	104,307,183
Intangible assets	16	683,828	795,152	484,834	593,780
		<u>80,090,030</u>	<u>105,381,781</u>	<u>79,758,742</u>	<u>104,900,963</u>
<b>Current assets</b>					
Other financial assets	18	2,800,730	2,050,801	2,800,730	2,050,801
Inventory	19	11,430,905	11,489,782	11,430,905	11,489,782
Trade and other receivables	20	2,753,388	9,795,464	2,753,388	9,795,464
Prepayments	21	54,761	203,236	54,761	203,236
Cash and cash equivalents	22	2,651,843	2,858,254	2,651,843	2,858,254
		<u>19,691,627</u>	<u>26,397,537</u>	<u>19,691,627</u>	<u>26,397,537</u>
<b>TOTAL ASSETS</b>		<u>99,781,657</u>	<u>131,779,318</u>	<u>99,450,369</u>	<u>131,298,500</u>

The notes on pages 23 to 66 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 13-17

PRECISION AIR SERVICES PLC


CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020 (CONTINUED)

EQUITY AND LIABILITIES	Notes	Group		Company	
		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Equity		TZS '000	TZS '000	TZS '000	TZS '000
Share capital	24(a)	3,209,454	3,209,454	3,209,454	3,209,454
Share premium	24(b)	10,490,987	10,490,987	10,490,987	10,490,987
Accumulated losses		(410,136,244)	(365,049,421)	(410,467,124)	(365,529,681)
Non-controlling interest	14	408	558	-	-
		<u>(396,435,395)</u>	<u>(351,348,422)</u>	<u>(396,766,683)</u>	<u>(351,829,240)</u>
<b>Non-current liabilities</b>					
Lease Liability	28(a)(ii)	4,676,244	5,058,704	4,676,244	5,058,704
<b>Current liabilities</b>					
Borrowings	25	365,069,758	350,607,760	365,069,758	350,607,760
Overdraft	26	415,775	1,601,406	415,775	1,601,406
Trade and other payables	27	106,753,706	105,451,655	106,753,706	105,451,655
Lease Liability	28(a)(ii)	1,542,418	1,145,516	1,542,418	1,145,516
Sales in advance of carriage	7(c)	14,859,153	16,647,050	14,859,153	16,647,050
Corporate tax payable	23(a)	1,112,019	1,112,019	1,112,019	1,112,019
Other tax payables	23(b)	1,787,978	1,503,630	1,787,978	1,503,630
		<u>491,540,807</u>	<u>478,069,036</u>	<u>491,540,807</u>	<u>478,069,036</u>
<b>TOTAL LIABILITIES</b>		<b>496,217,051</b>	<b>483,127,740</b>	<b>496,217,051</b>	<b>483,127,740</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>99,781,657</b>	<b>131,779,318</b>	<b>99,450,369</b>	<b>131,298,500</b>

The consolidated and separate financial statements on page 18 to 66 were approved by the Board of Directors and authorised for issue on 5 September 2022 and were signed by:

Name: Michael Shirima

Title: Chairperson

Signature: 

Name: Avelyne Msaki

Title: Director

Signature: 

The notes on pages 23 to 66 form part of these consolidated and separate financial statements.  
Report of the Auditor – pages 13-17

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

<u>GROUP</u>	<u>Issued capital</u> TZS '000	<u>Share premium</u> TZS '000	<u>Accumulated losses</u> TZS '000	<u>Non-controlling interest</u> TZS '000	<u>Total equity</u> TZS '000
At 1 January 2020	3,209,454	10,490,987	(365,049,421)	558	(351,348,422)
Loss for the period	-	-	(45,086,823)	(150)	(45,086,973)
At 31 December 2020	<u>3,209,454</u>	<u>10,490,987</u>	<u>(410,136,244)</u>	<u>408</u>	<u>(396,435,395)</u>
At 1 January 2019	3,209,454	10,490,987	(320,910,532)	708	(307,209,383)
Loss for the year	-	-	(44,138,889)	(150)	(44,139,039)
At 31 December 2019	<u>3,209,454</u>	<u>10,490,987</u>	<u>(365,049,421)</u>	<u>558</u>	<u>(351,348,422)</u>
<u>COMPANY</u>					
At 1 January 2020	3,209,454	10,490,987	(365,529,681)	-	(351,829,240)
Loss for the period	-	-	(44,937,443)	-	(44,937,443)
At 31 December 2020	<u>3,209,454</u>	<u>10,490,987</u>	<u>(410,467,124)</u>	<u>-</u>	<u>(396,766,683)</u>
At 1 January 2019	3,209,454	10,490,987	(321,540,187)	-	(307,839,746)
Loss for the year	-	-	(43,989,494)	-	(43,989,494)
At 31 December 2019	<u>3,209,454</u>	<u>10,490,987</u>	<u>(365,529,681)</u>	<u>-</u>	<u>(351,829,240)</u>

The notes on pages 23 to 66 form part of these consolidated and separate financial statements

Report of the Auditor – page 13- 17

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020

		Group	Group	Company	Company
	Note	31 Dec 2020 TZS '000	31 Dec 2019 TZS '000	31 Dec 2020 TZS '000	31 Dec 2019 TZS '000
<b>Operating activities</b>					
Loss after tax		(45,086,973)	(44,139,039)	(44,937,443)	(43,989,494)
<i>Adjustments for:</i>					
Gain on disposal of property and equipment	9	(8,000)	(23,780)	(8,000)	(23,780)
Net unrealised forex	13	1,614,880	926,630	1,614,880	926,630
Impairment of property and equipment	15	-	1,147,458	-	1,147,458
Depreciation of property and equipment	15	28,966,789	33,347,353	28,814,637	33,200,202
Amortisation of intangible assets	16	211,224	186,214	208,840	183,830
Provision for bad debts	20	46,493	(1,455,333)	46,493	(1,455,333)
Interest on borrowings	25	14,089,728	17,619,578	14,089,728	17,619,578
Interest expense on lease	28	572,538	588,747	572,538	588,747
<b>Net cash before working capital changes</b>		<b>406,679</b>	<b>8,197,828</b>	<b>401,673</b>	<b>8,197,838</b>
<i>Changes in Working Capital:</i>					
• Inventories		58,877	975,101	58,877	975,101
• Trade and other receivables		6,338,640	(408,324)	6,338,640	(408,324)
• Prepayments		148,475	395,959	148,475	395,959
• Sales in advance of carriage		(1,787,894)	(1,506,377)	(1,787,894)	(1,506,377)
• Trade and other payables		1,586,400	5,476,084	1,586,400	5,476,084
<b>Cash generated from operations</b>		<b>6,751,177</b>	<b>13,130,271</b>	<b>6,746,171</b>	<b>13,130,281</b>
Income tax paid	23(a)	-	-	-	-
<b>Net cash from operating activities</b>		<b>6,751,177</b>	<b>13,130,271</b>	<b>6,746,171</b>	<b>13,130,281</b>
<b>Investing activities</b>					
Purchase of property and equipment	15	(3,786,362)	(4,737,468)	(3,786,362)	(4,737,468)
Acquisition of computer software	16	(99,900)	(194,973)	(99,894)	(194,973)
Proceeds from sale of property and equipment		8,000	23,780	8,000	23,780
<b>Net cash used in investing activities</b>		<b>(3,878,262)</b>	<b>(4,908,661)</b>	<b>(3,878,256)</b>	<b>(4,908,661)</b>
<b>Financing activities</b>					
Repayment of borrowings					
• Interest	25	(67,008)	(118,754)	(67,008)	(118,754)
• Principal	25	(1,536,752)	(2,390,210)	(1,536,752)	(2,390,210)
Repayment of principal portion of lease liabilities	28(ii)	(22,021)	(191,602)	(22,021)	(191,602)
Payment of interest on lease liabilities	28(ii)	(572,538)	(588,747)	(572,538)	(588,747)
Overdraft conversion to term loan		430,138	402,200	430,138	402,200
<b>Net cash used in financing activities</b>		<b>(1,768,181)</b>	<b>(2,887,113)</b>	<b>(1,768,181)</b>	<b>(2,887,113)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,104,734</b>	<b>5,334,497</b>	<b>1,099,734</b>	<b>5,334,507</b>
Cash and cash equivalents at start of the year		1,256,848	(3,900,381)	1,256,848	(3,900,381)
Effect of movements in exchange rates on cash held		(125,514)	(177,268)	(120,514)	(177,278)
<b>Cash and cash equivalents at year/period end</b>	22	<b>2,236,068</b>	<b>1,256,848</b>	<b>2,236,068</b>	<b>1,256,848</b>

The notes on pages 23 to 66 form part of these consolidated and separate financial statements.

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## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1 CORPORATE INFORMATION

The Company is incorporated in Tanzania under the Companies Act, No. 12 of 2002, as a limited liability Company and it is domiciled in Tanzania. The Company's shares are publicly traded at the Dar es Salaam Stock Exchange. The principal activities of the Company are regional and domestic air carriage of passengers and cargo.

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

The Company has two subsidiaries, Precision Handling Limited and Precise Systems Limited.

Precision Handling Limited was incorporated in Tanzania in 2010 and 99.99.% of its share capital is held by Precision Air Services Limited and the minority shareholder is Elias Mwashuiya. The subsidiary provides ground handling services to Precision Air Services Limited and is yet to obtain a licence to serve other third-party airlines.

Precise Systems Limited was incorporated in Tanzania in 2011 and 99% of its share capital is held by Precision Air Services Limited, and the minority shareholder is Vincent Ngaleku Shirima. The subsidiary used to distribute the Galileo Reservation system to Airlines and Travel Agents in Tanzania. The Subsidiary commenced operations on 1 July 2012 and stopped operations in 2015.

The consolidated financial statements as at and for the year ended 31 December 2020 comprise the Company and its subsidiary, Precision Handling Limited (together referred to as the "Group"). The separate financial statements relate to the unconsolidated financial statements of the Company.

Where reference is made in the accounting policies to Group or Company it should be interpreted as being applicable to the consolidated or separate financial statements as the context requires. The consolidated and separate financial statements are hereinafter referred to as "the financial statements".

#### 2 COMPARATIVE INFORMATION

These financial statements have been prepared for 12 months from 1 January 2020 to 31 December 2020 and comparative information is for 12 months from 1 Jan 2019 to 31 December 2019 and the amounts presented in the consolidated and separate financial statements are entirely comparable with respect to comparative information.

#### 3 BASIS OF ACCOUNTING

##### a) Statement of compliance and basis of measurements

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002. They were authorized for issue by the Group's Board of Directors on 5 September 2022.

The consolidated and separate financial statements have been prepared on a historical cost basis, except where fair value measurements have been applied.

The consolidated and separate financial statements are presented in Tanzanian Shillings (TZS) which is the Group's functional currency and presentation currency rounded to the nearest Tanzanian thousands shillings ('TZS 000'), unless otherwise indicated.

##### b) Basis of consolidation

##### i) Subsidiaries

Subsidiary is the entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In the separate financial statements, the investment in the subsidiary is carried at cost.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 3 BASIS OF ACCOUNTING (CONTINUED)

##### b) Basis of consolidation (Continued)

##### ii) Non-controlling interest (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### iii) Loss of control

When the Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### iv) Transaction eliminated on consolidation

Intra-Company balances and transactions, and any unrealised income and expenses arising from intra-company transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### c) Going concern

During the year ended 31 December 2020, the Group and the Company incurred a net loss of TZS 45.1 billion and TZS 44.9 billion respectively.

The Group had its current liabilities exceed its current assets at 31 December 2020 by TZS 471.8 billion (31 December 2019: TZS 451.7 billion) and it was also in a shareholders' deficit position at 31 December 2020 of TZS 396.4 billion (31 December 2019: TZS 351.3 billion).

The Company had its current liabilities exceed its current assets at 31 December 2020 by TZS 471.8 billion (31 December 2019: TZS 451.7 billion) and it was also in a shareholders' deficit position at 31 December 2020 of TZS 396.8 billion (31 December 2019: TZS 351.8 billion).

In addition, as disclosed at Note 5(a) and Note 25, the Group and Company also defaulted on their debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 365.1 billion being due on demand.

The going concern basis of presentation assumes that Precision Air Services Plc. (the "Company") will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Group and Company experienced significant losses for the past six years. Challenges brought by COVID-19 effects just as for the entire aviation industry around the world, crippled the Company's ability to keep up with the cost of maintaining its equipment. These events or conditions indicate a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. To enable the Group and Company to continue as a going concern, the directors have put in place the following plans:

1. The Group and Company are in the process of preparation of workable proposal seeking waivers from its lenders relating to covenant violations on aircraft financing loan as at December 31, 2020 and renegotiating the terms of the agreement which is now repayable on demand (see Note 26 – Borrowings), the negotiations are still ongoing and lenders and Company agreed to have the proposal ready by 31st August 2022. The Group and Company are continuously pursuing various options with potential lenders which involve debt restructuring to convert current borrowings into non-current liabilities by extending the repayment periods. The renegotiations with lenders and other creditors (i.e., suppliers and the government) also include a request for waiver of penalties and interests and also a haircut on the principal amount. Directors believe the debt restructuring will be successful and will enable the Group and the Company to achieve its business plans by easing liquidity pressure created by debt already due on demand. While no agreements with potential lenders or creditors have been reached yet at the date of approval of the consolidated and separate financial statements, directors believe that such agreements will be reached.

The Company also managed to renew the existing overdraft facility with KCB for another year to 27th June 2023. Additionally, management also presented to KCB an additional enhancement of USD 500,000 to the existing facility of TZS 1 billion. The bank is in agreement and the enhancement is planned for September 2022.

As of 1 September 2022, the overdraft facility with KCB had headroom of USD 138,780 and TZS 100,780,421.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 3 BASIS OF ACCOUNTING (CONTINUED)

##### c) Going concern (Continued)

- The Group continues with the implementation of a revised business plan by reviewing the entire network creating a review of the mini-HUB concept in the Dodoma region to support Dar es Salaam with the aim of improving frequencies count, increase the number of available seats and optimise the competitive range of the aircraft, re-introduction of Tabora and Sorenera routes in 2022 budgets indicated an improvement in passenger numbers and also deepening on the focus on alternative the Tabora route is being connected with either Kahama or Dodoma.

Reintroduction of Dar – Comoro (DAR-HAH) route from 1st August 2022 operating on 3 days a week will further improve the passenger and interline revenue for connecting passengers from and into Union of Comoros to mainly France and other European countries. However, Comoros being a member of COMESA our operations will enable smooth movement of members from other COMESA countries into Comoros via Dar es Salaam or any other destination within our network.

The introduction of the hub and new routes is expected to have the below impact to the Company.

Route	Expected route revenue per annum
Dar - Dodoma -Tabora	USD 1.1 million
Dar – Dodoma – Iringa - Songea	USD 1.01 million
Dar - Seronera - Zanzibar	USD 0.9 million
Dar – Hahaya – Anjouan in Comoros	USD 1.6 million
Dar- Dodoma- Nairobi (from the financial year 2024)	USD 1.8 million

- The completion of technical knowledge skills and tools sharing agreement between our Technical Department and Kenya Airways MRO section is further booting the other revenue streams such as Maintenance Repair Overhaul (MRO) services, several local contracts for third-party maintenance services have been agreed upon and signed for One year provision of third-party technical maintenance services.

These services are currently provided outside the country. With already established internal skills the Company is able to gain savings of approximately USD 298,000 in maintenance costs in the short run and USD 500,000 in the long run per annum.

- The Company set up of Airline Training Organization (ATO) which has had three Cabin Crew graduations to date. The Company continues with its original plan to start ground training, Crew Resource Management (CRM) and Dangerous Goods Regulations (DGR). Airline Sales and ticketing classes shall start in later days after completion of CRM and DGR classes. The Company charges TZS 3 million as fees per student for the three-month course. In 2021, 33 students graduated and TZS 99 million was generated as revenue from this stream. Management expects expansion in future. The Company expects to enrol at least 60 students in 2022 which will contribute to TZS 180 million as other income.

The Company continues to enhance working relationships with partners for a guaranteed supply of key operational services such as fuel and technical spares for maintenance such as instalment payment plans.

However, the ability of the Company to continue as a going concern is dependent on the successful completion of the debt restructuring plans and the effective implementation of the operational plans stated above.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES

##### (a) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

##### Performance obligations and revenue recognition policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in the contracts with customers, including significant payment terms and related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Passenger	Tickets are pre-sold up in advance of the air transport-taking place. The Company receives payment at or shortly after time of sale. Between time of sale and time of air transport the amounts collected from the customers are presented as sales in advance of carriage liabilities. The value of the resulting sales in advance of carriage liabilities represents the aggregate transaction price of performance obligations not yet satisfied.	Precision air recognises revenue when air transport is delivered to its customer(s) on a flight date promised in the ticket or airway bill (contract).
Interline commissions	A ticket with connecting flights operated by multiple carriers represents a separate performance obligation(s) for each carrier. Interline commission does not have separate performance obligations but are associated with the performance obligation of the air transport.	Interline commission is recognized over time and reflect progress based on segments provided by each operating carrier.
Freight and mail	Performance obligation attached to cargo and mail service is delivering consignment received from the independent contractor to a specified destination.	Freight revenue will be recognised once air transport is completed for the consignment.

**PRECISION AIR SERVICES PLC**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Revenue from contracts with customers (Continued)**

**Performance obligations and revenue recognition policies (Continued)**

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
<b>No show fees and other charges</b>	Ancillary revenue comprises sales of ticket related products and services, like no show fees and other charges. Most of the products and services do not have separate performance obligations but are associated with the performance obligation of the air transport and are hence recognized as revenue at the time of the transport. No show fees represent a modification of the original travel contract where the passenger failed to travel on the scheduled flight time.	Revenue related to ancillary services that are not considered distinct from the contract for a flight should be recognized at the time of the flight. Certain ancillary services which may be distinct services, and which are not specifically associated with a ticket for transportation, may be recognized on a systematic basis that reflects the fulfilment of the related performance obligation.
<b>Cancellation income</b>	Each fare type that an airline issues will have its own conditions attached, which may include it being restricted, non-upgradeable or non-refundable. This means that if passengers need to make a change to their booking, cancel flights or buy replacement tickets then a change fee (or service fee) may apply. Change fees are not refundable and have no separate value to the customer once paid.	Recognize when performance obligation fulfilled on cancellation.
<b>Passenger tickets writeback (Unused tickets)</b>	Air ticket breakage/writeback constitute of income from sale of tickets, which are eventually not used for travel and cannot be exchanged or refunded.	Breakage/Writeback is recognised only when the likelihood becomes remote that customers not taking the flight on the scheduled flight date will exercise their right which is normally on expiry of the ticket. Currently, the Company's policy is to write back the unused tickets after two years from the date of travel.
<b>Customer loyalty program</b>	The Company has a program to reward its passengers which is designed to award the frequent flying passengers with free or discounted services. The level of bonus points earned by passengers under the reward program determine the reward they are entitled to. Members earn and accumulate points on every flight they make basing on the route travelled. The point accrual base rule is that 2% of face value is collected as Award and as Tier points into member(s) account. Higher Class tickets will bring much more, up to 5-6 times more points to member(s) account. Member points gained are identified as separate performance obligation and are recognized as a Frequent flyer accrual in these consolidated and separate statement of financial position. Points are valid throughout the year they were earned, plus one year.	The member point(s) liability is derecognized from the statement of financial position and recognized as revenue when the points are redeemed or expire. Currently, yearly redemption of member's points is considered low and based on materiality consideration the Company does not perform analysis for estimating redemption rate of loyalty points at each reporting rate.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Financial instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

##### i. Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### ii. Classification and subsequent measurement

###### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through other comprehensive income (FVOCI - debt investment; FVOCI - equity investment); or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting year following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Financial Instruments (Continued)

##### ii. Classification and subsequent measurement (Continued)

##### Financial assets - Business model assessment (Continued)

- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

##### Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Financial Instruments (Continued)

##### ii. Classification and subsequent measurement (Continued)

###### Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### iii. Impairment of financial assets and contract assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.

Loss allowances for trade receivables is measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days for credit customers. The Company considers reasonable and supportable forward-looking information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment. Example of micro economic factors considered include changes in inflation rate, GDP rate and interest rates.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised accordance with the requirement of IFRS 9.

##### iv. Derecognition

###### Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

###### Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Financial Instruments (Continued)

###### v. Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### (c) Foreign currency translation

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

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

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

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

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

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'Finance costs'.

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

##### (e) Inventories

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

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (f) Property and equipment

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

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

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

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

	%
Aircraft*	6.75
Motor vehicles	20.00 – 25.00
Computers	25.00 – 33.33
Furniture, equipment, and structures	12.50 – 25.00
Structures	4.00 – 25.00

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

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

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

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

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

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

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

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

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (aircraft, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

##### (i) Borrowing costs

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

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

##### (j) Cash and cash equivalents

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

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

##### (k) Employee benefits

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

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

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

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (l) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method.

##### (m) Finance income and expenses

Finance income comprises of interest income on Group's bank accounts. Interest income is recognized as it accrues in profit or loss. Finance costs comprise of interest expense on borrowings. Interest accrued but not yet paid is accounted for under current liabilities.

Foreign currency gains and losses are reported on a net basis.

##### (n) Dividends

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

##### (o) Provisions

A provision is recognized if, as a result of past events, the Group's has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provision is determined by discounting the expected future cash flows at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

##### (p) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

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

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

##### (r) Segment reporting

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

##### (s) Taxation

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

##### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date. The current rate of corporation tax is 30% (December 2019: 30%).

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### s) Taxation (Continued)

###### Deferred tax

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

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

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

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

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

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

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

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

###### Value added tax

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

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

###### Tax exposure

In determining the amount of current and deferred tax, the Group considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (t) Basic and diluted earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible non-cumulative redeemable preferences shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

##### (u) Relevant new standards, amendments and interpretations issued but not yet effective

The following amended standards and interpretations are expected to have a significant impact on the disclosure of the Company's financial statement:

- Tanzania Financial Reporting Standard no. 1 (TFRS 1: The Report by those charged with Governance), will become effective from 1st January 2021, Early adoption is allowed.

The following amended standards and interpretations are expected to have a no significant impact on the disclosure of the Company's financial statement:

Standard/Interpretation	Effective date
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest rate benchmark (IBOR) reform (phase 2)</i> 1 July 2021
IAS 37 amendment	<i>Onerous contracts: Costs of fulfilling a contract</i> 1 July 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments	<i>Annual Improvements to IFRS Standards (2018 to 2020)</i> 1 July 2022
IAS 16 amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> 1 July 2022
IFRS 3 amendments	<i>Reference to the Conceptual framework</i> 1 July 2022
IFRS 17	<i>Insurance Contracts</i> 1 July 2023
IFRS 17 amendments	<i>Insurance Contracts</i> 1 July 2023
IAS 1 amendment	<i>Classification of liabilities as current or non-current</i> 1 July 2023
IAS 8 amendment	<i>Definition of Accounting Estimates</i> 1 July 2023
IAS 1 and IFRS Practice Statement 2 amendment	<i>Disclosure Initiative: Accounting Policies</i> 1 July 2023
IAS 12 amendment	<i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i> 1 July 2023
IFRS10 and IAS 28 amendment	<i>Sale or Contribution of Assets between an Investor and its Associate of Joint Venture</i> Deferred indefinitely

##### (v) Leases

At inception of a contract, the Group assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

##### Leases in which the Group is a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right of use asset and lease liability at the lease commencement date. The right of use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### v) Leases (Continued)

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of the property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determined its incremental borrowing rate by obtaining interest rates from various external financing sources.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period of the Group is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable, under a residual guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities separately in the statement of financial position.

##### *Short-term leases and leases of low-value assets*

The Group has elected not to recognize right of use assets and lease liabilities for leases of low value assets and short-term leases, including computers and printers. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### *COVID-19-related rent concessions*

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

##### **Leases in which the Group is a lessor**

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

# PRECISION AIR SERVICES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

### 5 FINANCIAL RISK MANAGEMENT

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

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

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

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

#### a. Liquidity risk

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

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

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

	Carrying amount TZS' 000	Contractual cash flows TZS' 000	On Demand TZS'000	Within 1 year TZS' 000	1 to 5 years TZS' 000
<b>GROUP</b>					
<b>As at 31 December 2020</b>					
<b>Non-derivative financial Liabilities</b>					
Borrowings	365,069,758	365,069,758	364,808,095	261,663	-
Bank overdrafts	415,775	415,775	-	415,775	-
Trade and other payables*	20,183,348	20,183,348	-	20,183,348	-
Lease liability	6,218,662	8,099,868	-	1,542,418	6,557,451
	<b>391,887,543</b>	<b>393,768,749</b>	<b>364,808,095</b>	<b>22,403,204</b>	<b>6,557,451</b>
<b>As at 31 December 2019</b>					
<b>Non-derivative financial Liabilities</b>					
Borrowings	350,607,760	350,607,760	350,357,935	249,825	-
Bank overdrafts	1,601,406	1,601,406	-	1,601,406	-
Trade and other payables*	26,203,236	26,203,236	-	26,203,236	-
Lease liability	6,204,220	8,939,615	278,590	1,058,939	7,602,086
	<b>384,616,622</b>	<b>387,352,017</b>	<b>350,636,525</b>	<b>29,113,406</b>	<b>7,602,086</b>
<b>COMPANY</b>					
<b>As at 31 December 2020</b>					
<b>Non-derivative financial Liabilities</b>					
Borrowings	365,069,758	365,069,758	364,808,095	261,663	-
Bank overdrafts	415,775	415,775	-	415,775	-
Trade and other payables*	20,183,348	20,183,348	-	20,183,348	-
Lease liability	6,218,662	8,099,868	-	1,542,418	6,557,451
	<b>391,887,543</b>	<b>393,768,749</b>	<b>364,808,095</b>	<b>22,403,204</b>	<b>6,557,451</b>
<b>As at 31 December 2019</b>					
<b>Non-derivative financial Liabilities</b>					
Borrowings	350,607,760	350,607,760	350,357,935	249,825	-
Bank overdrafts	1,601,406	1,601,406	-	1,601,406	-
Trade and other payables*	26,203,236	26,203,236	-	26,203,236	-
Lease liability	6,204,220	8,939,615	278,590	1,058,939	7,602,086
	<b>384,616,622</b>	<b>387,352,017</b>	<b>350,636,525</b>	<b>29,113,406</b>	<b>7,602,086</b>

\*Does not include statutory liabilities, advances from customers and accruals for loyalty points.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### a. Liquidity risk (Continued)

The Group and Company has defaulted on its debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 365.1 billion being due on demand (See Note 25). Because of this default, the inability of the Group and Company to generate cash that would be sufficient to settle arrears and instalment payments as per the debt agreements (refer to "Key sources of uncertainties in the plans to mitigate the going concern risk" on Note 3 (c)) and the on-going discussions with the lenders on possible rescheduling of the borrowings, there is no reliable basis for developing a reliable liquidity risk profile for borrowings.

As at the date of approval of these financial statements, the loan defaults were not cured.

##### b. Treasury risk management

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

##### c. Foreign currency risk

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

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

The Group is significantly exposed to sensitivities in US dollar exchange rates. The following table demonstrates the sensitivity of financial instruments to a reasonably possible change in the US dollar exchange rates and other currencies as this is the major currency that the Group transactions are held, with all other variables held constant, on profit before tax and equity.

	Increase/decrease in the value	Effect on profit or loss TZS'000	Effect on equity, net of tax TZS'000
<b><u>Group and Company</u></b>			
Net effect resulting from borrowings, receivables and payables on the statement of financial position as at 31 December 2020	3%	10,217,940	7,152,558
Net effect resulting from borrowings, receivables and payables on the statement of financial position as at 31 December 2019	3%	10,654,487	7,458,141

##### d. Interest rate risk

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

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

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

	Increase/decrease in interest rate	Effect on profit or loss TZS' 000'	Effect on equity, net of tax TZS' 000
<b><u>Group and Company</u></b>			
Net effect based on statement of financial position as at 31 December 2020	1%	245,130	171,592
Net effect based on statement of financial position as at 31 December 2019	1%	244,008	170,806

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### e. Credit risk management

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

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

The credit risk management and control are centralised in the credit control team of the Company under Finance department and reported to the Board of Directors and heads of department regularly. Write offs and significant impairments including handing over for collection is ultimately approved by the board of Directors following recommendation by the Heads of departments.

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

Trade receivables are presented net of allowance for doubtful debts. With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations. The analysis of trade and other receivables (including the credit quality) is shown on Note 20. Cash and short-term deposits are neither past due nor impaired. No collateral is held for financial assets that are neither past due nor impaired. There are no external or internal credit ratings for the financial assets.

##### Maximum exposure

The amount that best represents the Group's maximum exposure to credit risk at 31 December 2020 is made up of as follows:

	Group		Company	
	31 Dec 2020 TZS'000	31 Dec 2019 TZS'000	31 Dec 2020 TZS'000	31 Dec 2019 TZS'000
Cash and cash equivalents*	2,650,989	2,858,254	2,650,989	2,858,254
Other financial assets	2,800,730	2,050,801	2,800,730	2,050,801
Trade and other receivables**	2,545,163	9,055,854	2,545,163	9,055,854
	<u>7,996,882</u>	<u>13,964,909</u>	<u>7,996,882</u>	<u>13,964,909</u>

\*Excludes petty cash.

\*\*Excludes advances to suppliers

Further credit risk analysis is included in Note 20 to the financial statements.

##### f. Fuel price risk

The Group's fuel risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices. The Group's fuel risk management strategy aims at providing the airline with protection against sudden and significant increases in oil prices.

To meet this objective, the Group and Company negotiate jet fuel prices with suppliers at the beginning of every month. For any unexpected significant increase in JET Fuel, the Group and Company adjust the fuel Surcharge rate upwards to cover for the increases. The fuel surcharges included on tickets changes from time to time and differs from route to route depending on the market conditions.

#### 6 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

##### *i. Impairment of aircraft*

A decline in the value of aircraft could have a significant effect on the amount recognised in the financial statements. Management assesses the impairment of aircraft whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important, which could make an impairment review necessary include the following:

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

In the determination of the recoverable amounts, management uses an independent external platform for aircraft valuation namely Flight Ascend.

Management uses 'half-life soft market value' scenario which assumes the world's principal traffic generating regions are in the middle of a recession or a period of economic stagnation, which historically have a negative impact on aircraft values. This is when airlines experience low growth or even traffic reductions, make losses, cut their fleets and staff or reduce fleet growth plans. The market becomes imbalanced, with supply outstripping demand, resulting in more parked aircraft and lower utilisation rates, which in turn, increase aircraft availability. Half-life prices indicate the recoverable amount assuming that the airframe, engines, landing gear and all major components are half-way between major overhauls and that any life-limited component (for example a cycle limited engine disk) has used up half of its life.

The specific assumptions considered during the year are:

- a) Commercial airliners are valued in typical airline configurations (e.g. passenger or freighter aircraft, Combi, Quick Change);
- b) Purpose-built business jets and specific corporate/VIP versions of airliners (e.g. Airbus A318 ACJ, Boeing BBJ1) are valued assuming they are typically equipped in terms of their interior and specification;
- c) It should also be noted that any damage history on a business jet will usually impact its value – Flight Ascend Online Values cannot take this into account; and
- d) The aircraft is free of any onerous restrictions in respect of its ownership and title documentation. The values are therefore not intended to reflect any sale encumbered with a lease or in a distress/forced sale scenario.

The principal variables used are, the age of the aircraft, cumulative hours of flight, the cumulative number of cycles, and the economic and market conditions. Age of the aircraft is indicated by year of build and utilization data such as cumulative hours of flight and cumulative number of cycles.

Included in property and equipment are three (3) aircraft (ATR 42-320 5HPAG, ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a carrying value before impairment of TZS 25.8 billion that are currently unutilized as a result of defective engines. Impairment assessment on these aircraft has been conducted with reference to their soft market half-life prices as at 31 December 2020. Together with these three aircraft, other aircraft were also subjected to impairment assessment and no additional impairment was recognised during the year (2019: Nil).

The recoverable amounts are categorised as Level 3 in the fair value hierarchy as defined in Note 36.

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

Unused ticket revenue i.e., passenger ticket writeback revenue is recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical claiming trends. Tickets that remain unused for a period exceeding 24 months are recognised in the statement of profit or loss. The determination of the period over which the passengers will not claim back for their tickets or refunds is considered to be a critical estimate by management. The income statement impact of the unused tickets writeback is disclosed under Note 7 of the financial statements.

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

Critical estimates are made by the Directors in determining the useful lives and residual values of property and equipment, and intangible assets based on the intended use of the asset and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. The useful lives of assets are disclosed in Note 4 (f).

# PRECISION AIR SERVICES PLC

## NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

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

#### iv. *Income taxes*

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

The Directors have exercised significant judgement in concluding that sufficient taxable profits will not be available in the foreseeable future to utilise the net deferred tax asset (Note 23) that has not been recognised.

#### v. *Going concern*

Significant judgements are made by management in the determination of whether there are material uncertainties that may cast significant doubt on entity's ability to continue as a going concern as disclosed in Note 3 (c) of these financial statements.

### 7 REVENUE

#### A. *Revenue streams*

The Group generates revenue primarily from the sale of passenger tickets. Other source of revenue is freight and mail carriage. The table below summarises the income from each stream.

	Group <u>31 Dec 2020</u> TZS '000	Group <u>31 Dec 2019</u> TZS '000	Company <u>31 Dec 2020</u> TZS '000	Company <u>31 Dec 2019</u> TZS '000
Passenger related revenue	56,302,178	123,623,013	56,302,178	123,623,013
Freight and mail	<u>575,542</u>	<u>863,081</u>	<u>575,542</u>	<u>863,081</u>
	<u><u>56,877,720</u></u>	<u><u>124,486,094</u></u>	<u><u>56,877,720</u></u>	<u><u>124,486,094</u></u>

#### B. *Disaggregation of revenue from contracts with customers*

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and major products and service.

	Group <u>31 Dec 2020</u> TZS '000	Group <u>31 Dec 2019</u> TZS '000	Company <u>31 Dec 2020</u> TZS '000	Company <u>31 Dec 2019</u> TZS '000
<i>Major products/service lines</i>				
Passenger revenue	42,432,659	94,644,339	42,432,659	94,644,339
Freight and mail	575,542	863,081	575,542	863,081
Cancellation income	549,384	570,310	549,384	570,310
No show and other charges	981,807	1,251,027	981,807	1,251,027
Fuel Surcharge	9,360,320	23,433,665	9,360,320	23,433,665
Passenger tickets writeback	<u>2,978,008</u>	<u>3,723,672</u>	<u>2,978,008</u>	<u>3,723,672</u>
	<u><u>56,877,720</u></u>	<u><u>124,486,094</u></u>	<u><u>56,877,720</u></u>	<u><u>124,486,094</u></u>
<i>Primary geographical markets</i>				
Domestic routes	46,197,892	89,709,036	46,197,892	89,709,036
Regional routes	<u>10,679,828</u>	<u>34,777,058</u>	<u>10,679,828</u>	<u>34,777,058</u>
	<u><u>56,877,720</u></u>	<u><u>124,486,094</u></u>	<u><u>56,877,720</u></u>	<u><u>124,486,094</u></u>

**PRECISION AIR SERVICES PLC**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**7 REVENUE (CONTINUED)**

**C. Contract balances**

	Group <u>31 Dec 2020</u> TZS '000	Group <u>31 Dec 2019</u> TZS '000	Company <u>31 Dec 2020</u> TZS '000	Company <u>31 Dec 2019</u> TZS '000
<b>Receivables:</b>				
Trade and other receivables	2,072,097	8,366,665	2,072,097	8,366,665
<b>Contract liabilities:</b>				
Sales in advance of carriage*	14,859,153	16,647,050	14,859,153	16,647,050
Trade and other payables	<u>60,505</u>	<u>158,259</u>	<u>60,505</u>	<u>158,259</u>
	<u><b>14,919,658</b></u>	<u><b>16,805,309</b></u>	<u><b>14,919,658</b></u>	<u><b>16,805,309</b></u>

The Group and Company has no contract assets. Trade receivables have been disclosed in Note 20.

\*The contract liabilities primarily relate to the advance consideration received from customers for air transportation or freight carriage for which revenue has not been recognised yet i.e., Unused tickets and to the unredeemed customer loyalty points. The sales in advance of carriage as at 31 December 2020 amount to TZS 14.9 billion (31 December 2019: TZS 16.6 billion). The amount of unredeemed customer loyalty points amounts to TZS 60.5 million (31 December 2019: TZS 158.3 million) and it is included in 'Trade and other payables' line item. This will be recognised as revenue when the points are redeemed by customers as per IFRS 15, which is expected to occur over the next two years. Similar to customer loyalty, sale in advance of carriage is also expected to be recognised over the next two years.

**8 COST OF SALES**

	Group <u>31 Dec 2020</u> TZS '000	Group <u>31 Dec 2019</u> TZS '000	Company <u>31 Dec 2020</u> TZS '000	Company <u>31 Dec 2019</u> TZS '000
Fuel and oil	11,542,696	22,277,210	11,542,696	22,277,210
Short term leases of aircraft engines	109,524	3,112,423	109,524	3,112,423
Aircraft landing, handling, and navigation	6,715,810	12,375,634	6,715,810	12,375,634
Aircraft maintenance	7,112,407	21,735,365	7,112,407	21,735,365
Depreciation of aircraft and aircraft components	27,218,261	31,459,510	27,218,261	31,459,510
Passenger services	1,160,635	2,156,052	1,160,635	2,156,052
Commission on sales	887,735	3,145,359	887,735	3,145,359
Aircraft, passengers, and cargo insurance	1,136,052	526,474	1,136,052	526,474
Crew route expenses	237,126	919,858	237,126	919,858
Centralised reservation systems	4,638,564	9,908,651	4,638,564	9,908,651
Salaries and wages	9,867,327	15,249,988	9,867,327	15,249,988
Other employment costs	880,403	2,644,207	880,403	2,644,207
Contribution to pension fund	835,904	1,153,706	835,904	1,153,706
Aircraft cleaning and certification	<u>107,206</u>	<u>259,128</u>	<u>107,206</u>	<u>259,128</u>
	<u><b>72,449,650</b></u>	<u><b>126,923,565</b></u>	<u><b>72,449,650</b></u>	<u><b>126,923,565</b></u>

**PRECISION AIR SERVICES PLC**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

	Group 31 Dec 2020 TZS '000	Group 31 Dec 2019 TZS '000	Company 31 Dec 2020 TZS '000	Company 31 Dec 2019 TZS '000
<b>9 OTHER INCOME</b>				
Gain on disposal of property and equipment	8,000	23,780	8,000	23,780
Third party maintenance	595,982	314,352	595,982	314,352
Other income	-	44,437	-	44,437
	<u>603,982</u>	<u>382,569</u>	<u>603,982</u>	<u>382,569</u>
<b>10 MARKETING EXPENSES</b>				
Advertising and publicity	1,113,098	2,145,381	1,113,098	2,145,381
	<u>1,113,098</u>	<u>2,145,381</u>	<u>1,113,098</u>	<u>2,145,381</u>
<b>11 ADMINISTRATIVE EXPENSES</b>				
Salaries and wages	2,799,622	5,746,776	2,799,622	5,746,776
Other employment costs	1,078,907	1,667,165	1,078,907	1,667,165
Contribution to pension fund	330,667	376,854	330,667	376,854
Payroll levies	201,289	229,639	201,289	229,639
Audit fees	206,211	172,982	206,211	172,982
Bank charges	120,066	188,941	120,066	188,941
Motor vehicle expenses	877,725	1,627,733	877,725	1,627,733
Legal and professional fees	178,465	749,878	178,465	749,878
Maintenance and supplies	1,602,928	1,343,409	1,602,928	1,343,409
General specified expenses	3,611,302	7,519,026	3,611,317	7,519,026
Board meeting expenses	12,573	78,412	12,573	78,412
Donations	938	2,731	938	2,731
Amortization of intangible assets	211,224	186,218	208,840	183,830
Depreciation-motor vehicles, structure, computers, furniture, and equipment	1,748,548	1,887,849	1,601,387	1,740,692
	<u>12,980,465</u>	<u>21,777,613</u>	<u>12,830,935</u>	<u>21,628,068</u>
<b>12 FINANCE COSTS</b>				
Interest on debts and borrowings	13,432,050	17,619,578	13,432,050	17,619,578
Interest on overdraft	164,155	233,139	164,155	233,139
Finance costs on lease liability	572,538	588,747	572,538	588,747
Net foreign exchange loss (Note 13)	1,810,226	1,175,012	1,810,226	1,175,012
	<u>15,978,969</u>	<u>19,616,476</u>	<u>15,978,969</u>	<u>19,616,476</u>
<b>13 NET FOREIGN EXCHANGE LOSS</b>				
Realised foreign exchange loss	195,344	248,382	195,344	248,382
Unrealised foreign exchange loss	1,614,880	926,630	1,614,880	926,630
	<u>1,810,226</u>	<u>1,175,012</u>	<u>1,810,226</u>	<u>1,175,012</u>

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

**PRECISION AIR SERVICES PLC**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**14 NON- CONTROLLING INTEREST**

The following table summarises the unaudited information relating to the non-controlling interest (NCI) of the Groups subsidiaries, Precision Handling Limited (PHL) and Precise Systems Limited (PSL) before any intra-group eliminations. Refer to Note 1.

	31 December 2020			31 December 2019		
	PHL	PSL	Total	PHL	PSL	Total
NCI percentage	0.10%	1.00%		0.10%	1.00%	
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Non-current assets	132,295	198,988	331,283	279,446	201,372	480,818
Current liabilities	(1,755,453)	-	(1,755,453)	(1,755,453)	-	(1,755,453)
<b>Net (liabilities)/assets</b>	<b>(1,623,158)</b>	<b>198,988</b>	<b>(1,424,170)</b>	<b>(1,476,007)</b>	<b>201,372</b>	<b>(1,274,635)</b>
<b>Net (liabilities)/assets attributable to NCI</b>	<b>(1,602)</b>	<b>2,010</b>	<b>408</b>	<b>(1,456)</b>	<b>2,014</b>	<b>558</b>
Revenue	-	-	-	-	-	-
Loss for the year	(149,535)	-	(149,535)	(149,535)	-	(149,535)
<b>Total comprehensive income</b>	<b>(149,535)</b>	<b>-</b>	<b>(149,535)</b>	<b>(149,535)</b>	<b>-</b>	<b>(149,535)</b>
<b>Loss allocated to NCI</b>	<b>(150)</b>	<b>-</b>	<b>(150)</b>	<b>(150)</b>	<b>-</b>	<b>(150)</b>
Net cash flows from operating activities	(150)	-	(150)	(150)	-	(150)
<b>Net decrease in cash and cash equivalents</b>	<b>(150)</b>	<b>-</b>	<b>(150)</b>	<b>(150)</b>	<b>-</b>	<b>(150)</b>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15

PROPERTY AND EQUIPMENT

GROUP	Aircraft TZS '000	Motor vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress TZS '000	Right of use Asset (ROU) TZS '000	Total TZS '000
<b>Cost:</b>							
At 1 January 2020	353,230,531	1,417,011	3,098,388	16,915,710	-	6,566,279	381,227,919
Additions	3,577,587	46,000	60,655	102,120	-	-	3,786,362
<b>At 31 December 2020</b>	<b>356,808,118</b>	<b>1,463,011</b>	<b>3,159,043</b>	<b>17,017,830</b>	<b>-</b>	<b>6,566,279</b>	<b>385,014,281</b>
<b>Depreciation and impairment:</b>							
At 1 January 2020	265,835,385	1,395,200	2,643,672	6,016,430	-	750,603	276,641,290
Charge for the year	27,218,261	67,811	158,516	771,598	-	750,603	28,966,789
<b>At 31 December 2020</b>	<b>293,053,646</b>	<b>1,463,011</b>	<b>2,802,188</b>	<b>6,788,028</b>	<b>-</b>	<b>1,501,206</b>	<b>305,608,079</b>
<b>Carrying amount</b>							
At 31 December 2020	63,754,472	-	356,855	10,229,802	-	5,065,073	79,406,202
<b>At 31 December 2019</b>	<b>87,395,146</b>	<b>21,811</b>	<b>454,716</b>	<b>10,899,280</b>	<b>-</b>	<b>5,815,676</b>	<b>104,586,629</b>

Refer to Note 25 and Note 26 for assets pledged as security. All aircraft and aircraft components are pledged as security to Citibank International Plc, Finnfund Industrial Co-operation and Export Development Canada (EDC) and Stanbic Bank Tanzania Limited for loans and overdraft instruments as explained in Note 25 and Note 26 respectively. Included in 'Furniture, equipment and structures is an aircraft hangar with a net book value of TZS 9.5 billion (2019: TZS 10.6 billion) which is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 25.

Included in property and equipment are three (3) grounded aircraft (ATR 42-320 5HPAG, ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a net book value of TZS 25.8 billion (2019: TZS 31.9 billion) before impairment. These aircraft have been written down to their recoverable values amounting to TZS 8.2 billion (2019: TZS 8.2 billion). The aircraft are currently unutilized as a result of defective engines. Management is in the process of reviving these two aircrafts for returning them to the lessor, Export Development Canada (EDC).

At the end of the year, the Company entity had assets worth TZS 3.2 billion (31 December 2019: TZS 3.2 billion) plant and equipment that were fully depreciated but still in use with notional depreciation of TZS 838 million (2019: TZS 838 million).

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

GROUP	Aircraft TZS '000	Motor vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress TZS '000	Right of use Asset (ROU) TZS '000	Total TZS '000
<b>Cost:</b>							
At 1 Jan 2019	353,258,327	1,634,186	2,963,601	16,777,736	589,736	-	375,223,586
Additions	4,464,707	-	134,787	137,974	-	6,566,279	11,303,747
Transfer from work in progress	-	-	-	-	(589,736)	-	(589,736)
Disposals	(4,492,503)	(217,175)	-	-	-	-	(4,709,678)
<b>At 31 December 2019</b>	<b>353,230,531</b>	<b>1,417,011</b>	<b>3,098,388</b>	<b>16,915,710</b>	<b>-</b>	<b>6,566,279</b>	<b>381,227,919</b>
<b>Depreciation and impairment:</b>							
At 1 Jan 2019	238,310,658	1,493,170	2,411,270	5,230,797	-	-	247,445,895
Charge for the year	31,459,510	119,205	232,402	785,633	-	750,603	33,347,353
Release of impairment on disposal	(2,564,344)	-	-	-	-	-	(2,564,344)
Disposals	(1,370,439)	(217,175)	-	-	-	-	(1,587,614)
<b>At 31 December 2019</b>	<b>265,835,385</b>	<b>1,395,200</b>	<b>2,643,672</b>	<b>6,016,430</b>	<b>-</b>	<b>750,603</b>	<b>276,641,290</b>
<b>Carrying amount</b>							
At 31 December 2019	87,395,146	21,811	454,716	10,899,280	-	5,815,676	104,586,629
At 31 December 2018	114,947,669	141,016	552,331	11,546,939	589,736	-	127,777,691

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020 (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY	Aircraft TZS '000	Motor Vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress TZS '000	Right of Use Asset (ROU)	Total TZS '000
<u>Cost:</u>							
At 1 January 2020	353,230,531	1,389,216	2,002,673	15,081,617	-	6,566,279	378,270,316
Additions	3,577,587	46,000	60,655	102,120	-	-	3,786,362
At 31 December 2020	<u>356,808,118</u>	<u>1,435,216</u>	<u>2,063,328</u>	<u>15,183,737</u>	<u>-</u>	<u>6,566,279</u>	<u>382,056,678</u>
<u>Depreciation and impairment:</u>							
At 1 January 2020	265,835,385	1,323,132	1,886,051	4,172,962	-	750,603	273,968,133
Depreciation charge for the year	27,218,261	67,811	158,516	619,446	-	750,603	28,814,637
At 31 December 2020	<u>293,053,646</u>	<u>1,390,943</u>	<u>2,044,567</u>	<u>4,792,408</u>	<u>-</u>	<u>1,501,206</u>	<u>302,782,770</u>
<u>Carrying amount</u>							
At 31 December 2020	<u>63,754,472</u>	<u>44,273</u>	<u>18,761</u>	<u>10,391,329</u>	<u>-</u>	<u>5,065,073</u>	<u>79,273,908</u>
At 31 December 2019	<u>87,395,146</u>	<u>66,084</u>	<u>121,622</u>	<u>10,908,655</u>	<u>-</u>	<u>5,815,676</u>	<u>104,307,183</u>

Refer to Note 25 and Note 26 for assets pledged as security. All aircraft and aircraft components are pledged as security to Citibank International Plc, Finnfund Industrial Co-operation and Export Development Canada (EDC) and Stanbic Bank Tanzania Limited for loans and overdraft instruments as explained in Note 26 and Note 27 respectively. Included in 'Furniture, equipment and structures' is an aircraft hangar with a net book value of TZS 9.5 billion (2019: TZS 10.6 billion) which is pledged as security for the KCB Bank Tanzania Limited loan as explained in Note 25.

Included in property and equipment are three (3) grounded aircraft (ATR 42-320 5HPAG, ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a net book value of TZS 25.8 billion (2019: TZS 31.9 billion) before impairment. These aircraft have been written down to their recoverable values amounting to TZS 8.2 billion (2019: TZS 8.2 billion). The aircraft are currently unutilized as a result of defective engines. Management is in the process of reviving these two aircrafts for returning them to the lessor, Export Development Canada (EDC).

At the end of the year, the Company entity had assets worth TZS 3.2 billion (31 December 2019: TZS 3.2 billion) worth of plant and equipment that were fully depreciated but still in use with notional depreciation of TZS 838 million (2019: TZS 838 million).

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 2020 (CONTINUED)

15

PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY	Aircraft TZS '000	Motor vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress (Hangar) TZS '000	Right of Use Asset (ROU) TZS '000	Total TZS '000
<b>Cost:</b>							
At 1 Jan 2019	353,258,327	1,606,391	1,872,886	14,943,643	589,736	-	372,270,983
Additions	4,464,707	-	134,787	137,974	-	6,566,279	11,303,747
Transfer from work in progress	-	-	-	-	(589,736)	-	(589,736)
Disposals	(4,492,503)	(217,175)	-	-	-	-	(4,709,678)
<b>At 31 December 2019</b>	<b>353,230,531</b>	<b>1,389,216</b>	<b>2,002,673</b>	<b>15,081,617</b>	<b>-</b>	<b>6,566,279</b>	<b>378,275,316</b>
<b>Depreciation and impairment:</b>							
At 1 Jan 2019	238,310,658	1,429,442	1,653,649	3,526,140	-	-	244,919,889
Charge for the year	31,459,510	110,865	232,402	646,822	-	750,603	33,200,202
Release of impairment on disposal	(2,564,344)	-	-	-	-	-	(2,564,344)
Disposals	(1,370,439)	(217,175)	-	-	-	-	(1,587,614)
<b>At 31 December 2019</b>	<b>265,835,385</b>	<b>1,323,132</b>	<b>1,886,051</b>	<b>4,172,962</b>	<b>-</b>	<b>750,603</b>	<b>273,968,133</b>
<b>Carrying amount</b>							
At 31 December 2019	87,395,146	66,084	121,622	10,908,655	-	5,815,676	104,307,183
At 31 December 2018	114,947,669	176,949	219,237	11,417,503	589,736	-	127,351,094

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
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16 INTANGIBLE ASSETS

	<u>Computer software</u> TZS '000	<u>Work in progress</u> TZS '000	<u>Total</u> TZS '000
<b>GROUP</b>			
<b><u>Cost</u></b>			
At 1 January 2020	2,217,777	14,359	2,232,136
Additions	73,409	26,491	99,900
Transfer from work in progress	40,850	(40,850)	-
<b>At 31 December 2020</b>	<b><u>2,332,036</u></b>	<b><u>-</u></b>	<b><u>2,332,036</u></b>
<b><u>Accumulated amortisation</u></b>			
At 1 January 2020	1,436,984	-	1,436,984
Charge for the year	211,224	-	211,224
<b>At 31 December 2020</b>	<b><u>1,648,208</u></b>	<b><u>-</u></b>	<b><u>1,648,208</u></b>
<b>Carrying amount</b>	<b><u>683,828</u></b>	<b><u>-</u></b>	<b><u>683,828</u></b>
<b><u>Cost</u></b>			
At 1 January 2019	2,037,163	-	2,037,163
Additions	180,614	14,359	194,973
<b>At 31 December 2019</b>	<b><u>2,217,777</u></b>	<b><u>14,359</u></b>	<b><u>2,232,136</u></b>
<b><u>Accumulated amortisation</u></b>			
At 1 January 2019	1,250,770	-	1,250,770
Charge for the year	186,214	-	186,214
<b>At 31 December 2019</b>	<b><u>1,436,984</u></b>	<b><u>-</u></b>	<b><u>1,436,984</u></b>
<b>Carrying amount</b>	<b><u>780,793</u></b>	<b><u>14,359</u></b>	<b><u>795,152</u></b>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

16 INTANGIBLE ASSETS (CONTINUED)

COMPANY	<u>Computer software</u>	<u>Work in progress</u>	<u>Total</u>
	TZS '000	TZS '000	TZS '000
<b>Cost</b>			
At 1 January 2020	1,963,624	14,359	1,977,983
Additions	73,403	26,491	99,894
Transfer from work in progress	40,850	(40,850)	-
<b>At 31 December 2020</b>	<b><u>2,077,877</u></b>	<b><u>-</u></b>	<b><u>2,077,877</u></b>
<b><u>Accumulated amortisation</u></b>			
At 1 January 2020	1,384,203	-	1,384,203
Charge for the year	208,840	-	208,840
<b>At 31 December 2020</b>	<b><u>1,593,043</u></b>	<b><u>-</u></b>	<b><u>1,593,043</u></b>
<b>Carrying amount</b>	<b><u>484,834</u></b>	<b><u>-</u></b>	<b><u>484,834</u></b>
<b>Cost</b>			
At 1 January 2019	1,783,010	-	1,783,010
Additions	180,614	14,359	194,973
<b>At 31 December 2019</b>	<b><u>1,963,624</u></b>	<b><u>14,359</u></b>	<b><u>1,977,983</u></b>
<b><u>Accumulated amortisation</u></b>			
At 1 January 2019	1,200,373	-	1,200,373
Charge for the year	183,830	-	183,830
<b>At 31 December 2019</b>	<b><u>1,384,203</u></b>	<b><u>-</u></b>	<b><u>1,384,203</u></b>
<b>Carrying amount</b>	<b><u>579,421</u></b>	<b><u>14,359</u></b>	<b><u>593,780</u></b>

17 INVESTMENT IN SUBSIDIARIES

The carrying amounts of the Company's investments in its subsidiaries, Precision Handling Limited and Precise Systems Limited as at 31 December 2020 are summarised below.

	31 December 2020			31 December 2019		
	Cost TZS'000	Impairment TZS'000	Carrying amount TZS'000	Cost TZS'000	Impairment TZS'000	Carrying amount TZS'000
Precision Handling Limited	1,000,000	(1,000,000)	-	1,000,000	(1,000,000)	-
Precise Systems Limited	10,000	(10,000)	-	10,000	(10,000)	-
	<b><u>1,010,000</u></b>	<b><u>(1,010,000)</u></b>	<b><u>-</u></b>	<b><u>1,010,000</u></b>	<b><u>(1,010,000)</u></b>	<b><u>-</u></b>

Details of shareholding and geographical location are disclosed under Note 1 to the consolidated and separate financial statements.

**PRECISION AIR SERVICES PLC**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**17 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

The financial information of the subsidiaries for the year ended 31 December 2020 is as summarised below.

	<u>Total assets</u> TZS '000	<u>Total liabilities and equity</u> TZS '000	<u>Revenue</u> TZS '000	<u>Expenses</u> TZS '000
<b><u>Year ended 31 December 2020</u></b>				
Precision Handling Limited	<u>132,295</u>	<u>(132,295)</u>	<u>-</u>	<u>(149,545)</u>
Precise Systems Limited	<u>198,988</u>	<u>(198,988)</u>	<u>-</u>	<u>-</u>
<b><u>Period ended 31 December 2019</u></b>				
Precision Handling Limited	<u>279,446</u>	<u>(279,446)</u>	<u>-</u>	<u>(149,545)</u>
Precise Systems Limited	<u>201,372</u>	<u>(201,372)</u>	<u>-</u>	<u>-</u>

**18 OTHER FINANCIAL ASSETS**

	<u>Group</u> <u>31 Dec 2020</u> TZS '000	<u>Group</u> <u>31 Dec 2019</u> TZS '000	<u>Company</u> <u>31 Dec 2020</u> TZS '000	<u>Company</u> <u>31 Dec 2019</u> TZS '000
IATA security deposit	79	79	79	79
Aircraft engine rent security deposits	2,088	-	2,088	-
Credit card security deposit	2,117,599	1,369,758	2,117,599	1,369,758
Aircraft security deposit	<u>680,964</u>	<u>680,964</u>	<u>680,964</u>	<u>680,964</u>
	<u>2,800,730</u>	<u>2,050,801</u>	<u>2,800,730</u>	<u>2,050,801</u>
Current portion	2,800,730	2,050,801	2,800,730	2,050,801
Non-current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,800,730</u>	<u>2,050,801</u>	<u>2,800,730</u>	<u>2,050,801</u>

Other assets relate to cash deposited by the Company to third parties. These deposits do not attract any interest. The credit card security deposits are deposits held by the card companies against the chargebacks from card holders.

Aircraft security deposits are the deposits kept by ATR for the purchase of an aircraft. While the above are held at amortised cost, their fair value approximate their carrying values due to their relatively short-term nature.

The movement in deposit is as follows:

	<u>Group</u> <u>31 Dec 2020</u> TZS '000	<u>Group</u> <u>31 Dec 2019</u> TZS '000	<u>Company</u> <u>31 Dec 2020</u> TZS '000	<u>Company</u> <u>31 Dec 2019</u> TZS '000
At start of the year/period	2,050,801	2,403,272	2,050,801	2,403,272
Additional deposit/Release of deposits	604,572	(352,471)	604,572	(352,471)
Foreign exchange losses	<u>145,357</u>	<u>-</u>	<u>145,357</u>	<u>-</u>
At the end of the year/year	<u>2,800,730</u>	<u>2,050,801</u>	<u>2,800,730</u>	<u>2,050,801</u>

**PRECISION AIR SERVICES PLC**

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**19 INVENTORY**

	<u>Group</u> <u>31 Dec 2020</u> TZS '000	<u>Group</u> <u>31 Dec 2019</u> TZS '000	<u>Company</u> <u>31 Dec 2020</u> TZS '000	<u>Company</u> <u>31 Dec 2019</u> TZS '000
Aircraft spare parts*	13,493,662	13,090,304	13,493,662	13,090,304
Fuel and stationeries	111,156	521,879	111,156	521,879
Stock provisions	<u>(2,173,913)</u>	<u>(2,122,401)</u>	<u>(2,173,913)</u>	<u>(2,122,401)</u>
	<u>11,430,905</u>	<u>11,489,782</u>	<u>11,430,905</u>	<u>11,489,782</u>

\*The Inventories are pledged as floating security for Stanbic overdraft facility with the Company.

The movement in stock provision for the period is as detailed below;

	<u>Group</u> <u>31 Dec 2020</u> TZS '000	<u>Group</u> <u>31 Dec 2019</u> TZS '000	<u>Company</u> <u>31 Dec 2020</u> TZS '000	<u>Company</u> <u>31 Dec 2019</u> TZS '000
Balance as at 1 January	(2,122,401)	(494,080)	(2,122,401)	(494,080)
Charge during the year	<u>(51,512)</u>	<u>(1,628,321)</u>	<u>(51,512)</u>	<u>(1,628,321)</u>
	<u>(2,173,913)</u>	<u>(2,122,401)</u>	<u>(2,173,913)</u>	<u>(2,122,401)</u>

During the year ended 31 December 2020, inventories of TZS 18.7 billion (December 2019: TZS 47.5 billion) were recognised as expenses and are included in cost of sales line item.

**20 TRADE AND OTHER RECEIVABLES**

	<u>Group</u> <u>31 Dec 2020</u> TZS '000	<u>Group</u> <u>31 Dec 2019</u> TZS '000	<u>Company</u> <u>31 Dec 2020</u> TZS '000	<u>Company</u> <u>31 Dec 2019</u> TZS '000
Trade receivables - third party*	6,762,883	14,613,888	6,762,883	14,613,888
Allowance for credit losses	<u>(4,340,037)</u>	<u>(6,247,223)</u>	<u>(4,340,037)</u>	<u>(6,247,223)</u>
<b>Net receivables – third party</b>	<b>2,422,846</b>	<b>8,366,665</b>	<b>2,422,846</b>	<b>8,366,665</b>
Other receivables	-	505,169	-	505,169
Advances to suppliers	208,225	739,610	208,225	739,610
Staff loans, advances and imprest	122,317	184,020	122,317	184,020
Allowances for credit losses - other debtors	-	-	-	-
<b>Net other receivables</b>	<b>330,542</b>	<b>1,428,799</b>	<b>330,542</b>	<b>1,428,799</b>
<b>Net trade and other receivables</b>	<b><u>2,753,388</u></b>	<b><u>9,795,464</u></b>	<b><u>2,753,388</u></b>	<b><u>9,795,464</u></b>
<b>Movement in allowance for credit losses:</b>				
At start of year/period:	6,247,223	6,825,891	6,247,223	6,825,891
(Release)/additions	46,493	(1,455,333)	46,493	(1,455,333)
provision – Accepted pax rejection/ Allowance account – Written off	<u>(1,953,679)</u>	<u>876,665</u>	<u>(1,953,679)</u>	<u>876,665</u>
<b>At end of the year/period</b>	<b><u>4,340,037</u></b>	<b><u>6,247,223</u></b>	<b><u>4,340,037</u></b>	<b><u>6,247,223</u></b>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group <u>31 Dec 2020</u> TZS '000	Group <u>31 Dec 2019</u> TZS '000	Company <u>31 Dec 2020</u> TZS '000	Company <u>31 Dec 2019</u> TZS '000
<u>Trade receivables age analysis</u>				
Neither past due nor impaired	1,488,379	7,601,474	1,488,379	7,601,474
Past due but not impaired	934,467	765,191	934,467	765,191
Overdue and fully impaired	<u>4,340,037</u>	<u>6,247,223</u>	<u>4,340,037</u>	<u>6,247,223</u>
	<u><u>6,762,883</u></u>	<u><u>14,613,888</u></u>	<u><u>6,762,883</u></u>	<u><u>14,613,888</u></u>

No collateral is held for the trade and other receivables.

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

	Group <u>31 Dec 2020</u> TZS '000	Group <u>31 Dec 2019</u> TZS '000	Company <u>31 Dec 2020</u> TZS '000	Company <u>31 Dec 2019</u> TZS '000
United States Dollars	6,992,658	5,620,227	6,992,658	5,620,227
Euro	407,498	927,709	407,498	927,709
Sterling Pound	84,9833	245,044	84,9833	245,044
Canadian Dollars	22,475	93,096	22,475	93,096
South African Rand	57,773	137,642	57,773	137,642
Kenya Shillings	<u>32,443</u>	<u>42,481</u>	<u>32,443</u>	<u>42,481</u>
	<u><u>8,362,680</u></u>	<u><u>7,066,199</u></u>	<u><u>8,362,680</u></u>	<u><u>7,066,199</u></u>

21 PREPAYMENTS

Insurance	17,552	64,413	17,552	64,413
Spare parts	3,451	106,975	3,451	106,975
Other	<u>33,758</u>	<u>31,848</u>	<u>33,758</u>	<u>31,848</u>
	<u><u>54,761</u></u>	<u><u>203,236</u></u>	<u><u>54,761</u></u>	<u><u>203,236</u></u>

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

22 CASH AND CASH EQUIVALENTS

	Group <u>31 Dec 2020</u> TZS '000	Group <u>31 Dec 2019</u> TZS '000	Company <u>31 Dec 2020</u> TZS '000	Company <u>31 Dec 2019</u> TZS '000
Bank balances	1,987,753	2,129,761	1,987,753	2,129,761
Short term deposits	663,236	728,493	663,236	728,493
Petty cash	854	-	854	-
<b>Cash and cash equivalents</b>	<u><b>2,651,843</b></u>	<u><b>2,858,254</b></u>	<u><b>2,651,843</b></u>	<u><b>2,858,254</b></u>
Bank overdrafts for cash management purposes	<u>(415,775)</u>	<u>(1,601,406)</u>	<u>(415,775)</u>	<u>(1,601,406)</u>
<b>Cash and cash equivalents in the statement of cashflows</b>	<u><b>2,236,068</b></u>	<u><b>1,256,848</b></u>	<u><b>2,236,068</b></u>	<u><b>1,256,848</b></u>

PRECISION AIR SERVICES PLC

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22 CASH AND CASH EQUIVALENT (CONTINUED)

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

		Group 31 Dec TZS '000	Group 31 Dec 2019 TZS '000	Company 31 Dec 2020 TZS '000	Company 31 Dec 2019 TZS '000
United States Dollars	USD	620,551	1,108,449	620,551	1,108,449
Euro	EUR	720,322	397,485	720,322	397,485
Kenya Shillings	KES	24,909	319,186	24,909	319,186
		<u>1,365,782</u>	<u>1,825,120</u>	<u>1,365,782</u>	<u>1,825,120</u>

23 INCOME TAX

(a) Corporate tax payable

At beginning of the year	1,112,019	1,112,019	1,112,019	1,112,019
Payments during the year	-	-	-	-
Tax charge for the year	-	-	-	-
At end of the year	<u>1,112,019</u>	<u>1,112,019</u>	<u>1,112,019</u>	<u>1,112,019</u>

(b) Other tax payable\*

At beginning of the year	1,503,630	882,144	1,503,630	882,144
Payments during the year	-	-	-	-
AMT charge for the year	284,348	621,486	284,348	621,486
	<u>1,787,978</u>	<u>1,503,630</u>	<u>1,787,978</u>	<u>1,503,630</u>

(c) Tax charge

Current year/period tax charge	-	-	-	-
Deferred tax charge	-	-	-	-

\* This is related to tax payable with respect to alternative minimum taxes.

Section 4(1) (a) of the income tax Act of 2004 as amended requires corporations with perpetual unrelieved tax losses to pay tax at the rate of 0.5% of the turnover for that year of income. The Company and group have unrelieved tax losses and hence, liable to the alternate minimum tax charge which has been presented under administrative expenses.

(d) Reconciliation of the tax based on accounting loss to actual tax

	Group period ended 31 Dec 2020 TZS '000	Group period ended 31 Dec 2019 TZS '000	Company period ended 31 Dec 2020 TZS '000	Group period ended 31 Dec 2019 TZS '000
Loss before income tax	45,086,973	44,139,039	44,937,443	43,989,494
Tax at applicable rate of 30%	(13,526,092)	(13,241,712)	(13,481,233)	(13,196,848)
Tax effect of non-deductible expenses	119,088	209,907	119,088	209,907
Deferred tax movement not recognized	14,244,780	20,233,577	14,244,780	20,188,714
Effect of prior year deferred tax - under provision	837,776	(7,201,772)	882,635	(7,201,773)
Total tax expense/ (credit)	-	-	-	-

PRECISION AIR SERVICES PLC

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23 INCOME TAX (CONTINUED)

(e) Deferred tax

Group 2020	At 1 Jan 20 TZS '000	Charge/(credit) to P&L TZS '000	At 31 Dec 20 TZS '000
Accelerated capital deductions	15,241,786	(5,026,386)	10,215,400
Unrealised foreign exchange losses and provisions	(25,440,107)	(5,450,707)	(30,890,814)
Tax losses	(79,198,955)	(3,767,687)	(82,966,642)
Net deferred tax asset	(89,397,276)	(14,244,780)	(103,642,056)
Deferred tax asset not recognised	89,397,276	14,244,780	103,642,056
<b>Net deferred tax (asset)/liability recognised</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2019</b>			
Accelerated capital deductions	21,119,510	(5,877,724)	15,241,786
Unrealised foreign exchange losses and provisions	(26,336,208)	896,101	(25,440,107)
Tax losses	(63,946,988)	(15,251,967)	(79,198,955)
Net deferred tax (asset)/ liability	(69,163,686)	(20,233,590)	(89,397,276)
Deferred tax not recognised	69,163,686	20,233,590	89,397,276
<b>Net deferred tax (asset)/liability recognised</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Company 2020</b>			
Accelerated capital deductions	15,241,786	(5,026,386)	10,215,400
Unrealised foreign exchange losses and provisions	(25,440,107)	(5,450,707)	(30,890,814)
Tax losses	(79,070,699)	(3,767,687)	(82,838,386)
Net deferred tax (asset)/ liability	(89,269,020)	(14,244,780)	(103,513,800)
Deferred tax not recognised	89,269,020	14,244,780	103,513,800
<b>Net deferred tax (asset)/liability recognised</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2019</b>			
Accelerated capital deductions	21,119,510	(5,877,724)	15,241,786
Unrealised foreign exchange losses and provisions	(26,336,208)	896,101	(25,440,107)
Tax losses	(63,863,605)	(15,207,094)	(79,070,699)
Net deferred tax (asset)/ liability	(69,080,303)	(20,188,717)	(89,269,020)
Deferred tax not recognised	69,080,303	20,188,717	89,269,020
<b>Net deferred tax (asset)/liability recognised</b>	<b>-</b>	<b>-</b>	<b>-</b>

The deferred tax asset has not been recognised because the Directors do not expect the Group and the Company to generate sufficient taxable profits in the near future against which the asset can be utilised.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 24 EQUITY

	Group <u>31 Dec 2020</u> TZS '000	Group <u>31 Dec 2019</u> TZS '000	Company <u>31 Dec 2020</u> TZS '000	Company <u>31 Dec 2019</u> TZS '000
<b>(a) Share capital</b>				
<b>Authorised:</b> 242,000,000 Ordinary Shares of TZS 20/= each	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>
<b>Issued and fully paid up:</b> 160,472,720 Ordinary Shares of TZS 20/= each	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>
<b>(b) Share premium*</b>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>

\*The Group realized from the 2012 Initial Public Offering (IPO), a share premium of TZS 10.491 million. There were no changes in the share premium during the year.

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

#### 25 BORROWINGS

The Company's borrowings are summarised below.

Lender	Average Interest rate	Maturity	Purpose	Security
Citibank International Plc and Finnfund Industrial Co-operation (USD) (i) (*)	4.28%	2008–2022	Financing the acquisition of 5 ATR 72-500 and 2 ATR42-500.	The loans secured by the aircraft that have been delivered**
Export Development Canada (EDC) (USD) (ii) (*)	4.64%	2013–2022	Financing the acquisition of 2 ATR 72-600.	The loan is secured by the aircraft that have been delivered**
KCB Bank Tanzania Limited (USD) (iii)	9.00%	30.12.2017	Construction of hangar complex at Julius Nyerere International Airport.	The facility was secured by the hangar complex.

(\*) The Company is in breach of the terms of the loan agreements due to significant delays in repayments of principal and interest. The breaches have not yet been remediated as such these loans have been classified as current.

Additionally, EDC has formally the lease agreement for the two aircrafts and management is in the process of reviving the aircrafts for returning to lessor. These aircrafts were not in use for several years.

On 23 November 2021, Antelope Leasing Limited and Export Development Canada issued termination notice for lease agreement for two (2) ATR 42 – 600 aircraft. These aircraft were grounded since 2017 due to technical issues and they are not part of the active fleet.

(\*\*) For the purpose of holding collateral for the financiers, the aircraft are registered in the name of special purpose entities whose equity is held by the security trustees on behalf of the respective financiers. The legal title is to be transferred to Precision Air Services Plc once the loans are fully repaid. The special entities are as listed below:

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

**PRECISION AIR SERVICES PLC**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

**25 BORROWINGS (CONTINUED)**

The following table includes the outstanding loan balances for the Group and Company as at the year-end:

		<u>Group</u> 31 Dec 2020 TZS '000	<u>Group</u> 31 Dec 2019 TZS '000	<u>Company</u> 31 Dec 2020 TZS '000	<u>Company</u> 31 Dec 2019 TZS '000
<b><u>Secured bank term loans include:</u></b>					
Citibank International Plc and Finnfund Industrial Co-operation	(i)	273,675,462	265,136,923	273,675,462	265,136,923
Export Development	(ii)	91,132,633	85,221,012	91,132,633	85,221,012
KCB Bank Tanzania Limited	(iii)	261,663	249,825	261,663	249,825
		<u>365,069,758</u>	<u>350,607,760</u>	<u>365,069,758</u>	<u>350,607,760</u>
Non-current			-		-
Current		<u>365,069,758</u>	<u>350,607,760</u>	<u>365,069,758</u>	<u>350,607,760</u>
<b>Total</b>		<u><b>365,069,758</b></u>	<u><b>350,607,760</b></u>	<u><b>365,069,758</b></u>	<u><b>350,607,760</b></u>

The movement in loan balances as at the year-end is summarised below:

		<u>Group</u> 31 Dec 2020 TZS '000	<u>Group</u> 31 Dec 2019 TZS '000	<u>Company 31</u> <u>Dec 2020</u> TZS '000	<u>Company</u> 31 Dec 2019 TZS '000
Opening balance		350,607,760	334,175,125	350,607,760	334,175,125
Repayment		(1,536,752)	(2,390,210)	(1,536,752)	(2,390,210)
Overdraft converted to term loan		430,138	402,200	430,138	402,200
Interest expense		14,089,728	17,619,578	14,089,728	17,619,578
Interest paid		(67,008)	(118,754)	(67,008)	(118,754)
Unrealised exchange loss		1,545,892	919,821	1,545,892	919,821
<b>Closing balance</b>		<u><b>365,069,757</b></u>	<u><b>350,607,760</b></u>	<u><b>365,069,757</b></u>	<u><b>350,607,760</b></u>

**26 OVERDRAFT**

<u>Secured bank term loans</u>	<u>Average Interest rate</u>				
KCB Bank Tanzania Limited – US\$	9.00%	228,344	360,448	228,344	360,448
KCB Bank Tanzania	16.00%	187,431	1,075,002	187,431	1,075,002
Stanbic Bank Tanzania Limited –TZS	9.50%	-	165,956	-	165,956
		<u>415,775</u>	<u>1,601,406</u>	<u>415,775</u>	<u>1,601,406</u>

**KCB Bank Tanzania Limited: Overdraft**

The overdrafts are secured by Chattels Mortgage over:

- Debenture over floating assets; and
- Assignment over monthly IATA Billing and Settlement Plan (BSP) receivables.

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 26 OVERDRAFT (CONTINUED)

##### Stanbic Bank Tanzania Limited: Overdraft

This was a loan converted to overdraft in the financial year 2015/16. The loan was granted to support the working capital of the Company.

The facilities are secured by:

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

#### 27 TRADE AND OTHER PAYABLES

	<u>Group</u> <u>31 Dec 2020</u> TZS '000	<u>Group</u> <u>31 Dec 2019</u> TZS '000	<u>Company</u> <u>31 Dec 2020</u> TZS '000	<u>Company</u> <u>31 Dec 2019</u> TZS '000
Trade payables - third parties	15,924,516	18,174,234	15,924,516	18,174,234
Trade payables - related parties (Note 29)	1,886,983	4,246,004	1,886,983	4,246,004
Advances from customers	371,667	632,293	371,667	632,293
Statutory liabilities	86,198,690	78,616,126	86,198,690	78,616,126
Other accruals	2,371,850	3,782,998	2,371,850	3,782,998
	<u>106,753,706</u>	<u>105,451,655</u>	<u>106,753,706</u>	<u>105,451,655</u>

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

		<u>Group</u> <u>31 Dec 2020</u> TZS '000	<u>Group</u> <u>31 Dec 2019</u> TZS '000	<u>Company</u> <u>31 Dec 2020</u> TZS '000	<u>Company</u> <u>31 Dec 2019</u> TZS '000
United States Dollars	USD	11,308,123	14,816,138	11,308,123	14,816,138
Euro	EURO	399,790	820,020	399,790	820,020
Great Britain Pound	GBP	242,442	12,680	242,442	12,680
South African Rand	ZAR	37,978	61,616	37,978	61,616
Kenya Shillings	KES	22,407	201,204	22,407	201,204
		<u>12,010,740</u>	<u>15,911,658</u>	<u>12,010,740</u>	<u>15,911,658</u>

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

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 28 LEASES

See accounting policy in Note 4(v).

##### A. Leases as lessee

The group has several leased spaces. These includes office spaces and a hangar. The group has the following lease arrangements:

- Lease of offices with various vendors. These leases generally have terms of 5 to 12 years. The lease payments are made monthly.
- Lease of Hangar with the Government. The remaining lease period is of 10 years. The lease payments are made in advance on semi-annual basis.

Information about leases for which the Group is a lessee is presented below.

##### (i) Right of use assets

Right of use assets relates to leased office premises that are presented within property and equipment (See Note 16).

##### (ii) Lease liability, interest expense and lease payments

The movement in lease liability is as follows.

	<b>Group</b> <b>31 Dec 2020</b> TZS '000	<b>Group</b> <b>31 Dec 2019</b> TZS '000	<b>Company</b> <b>31 Dec 2020</b> TZS '000	<b>Company</b> <b>31 Dec 2019</b> TZS '000
At beginning of the year	6,204,220	6,395,822	6,204,220	6,395,822
Interest charge for the year	572,538	588,747	572,538	588,747
Payment of interest on lease liability	(572,538)	(588,747)	(572,538)	(588,747)
Payment of principal on lease liability	(22,021)	(191,602)	(22,021)	(191,602)
Unrealised exchange loss	36,463	-	36,463	-
<b>At end of the year</b>	<b>6,218,662</b>	<b>6,204,220</b>	<b>6,218,662</b>	<b>6,204,220</b>
<b>Split as:</b>				
Current	<u>1,542,418</u>	<u>1,145,516</u>	<u>1,542,418</u>	<u>1,145,516</u>
Non-current	<u>4,676,244</u>	<u>5,058,704</u>	<u>4,676,244</u>	<u>5,058,704</u>
<b>(iii) Amounts recognised in profit and loss</b>				
Interest charge for the year	572,538	588,747	572,538	588,747
Depreciation on right of use asset	750,603	750,603	750,603	750,603
Short term leases*	109,524	3,112,423	109,524	3,112,423
<b>(iv) Amounts recognised in statement of cashflow</b>				
Total cash outflow for leases	(594,559)	(780,349)	(594,559)	(780,349)

\*This includes short term lease of aircraft engines for one (1) to three (3) months in periods when the Company's engines are under maintenance.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28 LEASES (CONTINUED)

A. Leases as lessee (Continued)

(v) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group and Company has applied extension options for several contracts which resulted to an additional lease liability of TZS 4.55 billion. The extensions applied ranges from 1 year to 5 years from 31 December 2020.

B. Leases as lessor

During the year, there were no agreements where Group or Company was a lessor (2019: None).

29 RELATED PARTY DISCLOSURES

	Group 31 Dec 2020 TZS '000	Group 31 Dec 2019 TZS '000	Company 31 Dec 2020 TZS '000	Company 31 Dec 2019 TZS '000
a) Key management remuneration				
Salaries and other short-term benefits	2,003,052	2,155,121	2,003,052	2,155,121
Pension	196,717	210,296	196,717	210,296
	<u>2,199,769</u>	<u>2,365,417</u>	<u>2,199,769</u>	<u>2,365,417</u>
b) Directors' remuneration*				
Salaries and other short-term benefits for Chairman	391,589	389,525	391,589	389,525
	<u>391,589</u>	<u>389,525</u>	<u>391,589</u>	<u>389,525</u>
<b>Sitting allowances paid:</b>				
Mr. Michael N. Shirima	1,571	6,254	1,571	6,254
Mr. Vincent M. Shirima	785	7,818	785	7,818
Mr Sebastian Piotr Mikosz	1,571	3,127	1,571	3,127
Mr. Avelyne Msaki	2,356	7,818	2,356	7,818
Ms. Hellen Muthoni Mathuka	2,356	6,254	2,356	6,254
Mr. Abdulrahman Omar Kinana	1,571	3,127	1,571	3,127
Mr. Julius Ngunu Thairu	1,571	6,254	1,571	6,254
	<u>11,781</u>	<u>40,652</u>	<u>11,781</u>	<u>40,652</u>
c) Purchase transactions				
Kenya Airways Limited	4,118,430	27,280,447	4,118,430	27,280,447
Ngaleku Children's Home Contribution	7,660	3,582	7,660	3,582
	<u>4,126,090</u>	<u>27,284,029</u>	<u>4,126,090</u>	<u>27,284,029</u>
d) Sales transactions				
Kenya Airways Limited	12,850,745	44,599,606	12,850,745	44,599,606
	<u>12,850,745</u>	<u>44,599,606</u>	<u>12,850,745</u>	<u>44,599,606</u>

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 29 RELATED PARTY DISCLOSURES (CONTINUED)

##### e) Amount due to related parties

	Group	Group	Company	Company
	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Ngaleku Children's Home Contribution (*)	11,350	3,690	11,350	3,690
Kenya Airways Limited (**)	<u>1,875,632</u>	<u>4,242,314</u>	<u>1,875,632</u>	<u>4,242,314</u>
	<u><u>1,886,982</u></u>	<u><u>4,246,004</u></u>	<u><u>1,886,982</u></u>	<u><u>4,246,004</u></u>

(\*) Ngaleku Children's Home Contribution is a related part by virtue of the Board Chairman being a Trustee.

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

Interests in subsidiaries are set out in Note 17 to the financial statements.

Outstanding balances at the period-end are unsecured, due on demand, interest free and settlement occurs in cash. There has been no guarantee provided or received for any related party receivable or payables.

#### 30 CAPITAL COMMITMENTS

The Group has no capital commitments as at year end. (31 December 2019: Nil).

#### 31 SEGMENT INFORMATION

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

As disclosed in Note 7, most of the revenue is derived from passenger revenue (from which fuel surcharge is derived) and the Board of Directors relies primarily on passenger revenue to assess performance. Management monitors the operating results of its business as indicated on the Directors' report for the purpose of making decisions about resource allocation and performance assessment.

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

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

31 SEGMENT INFORMATION (CONTINUED)

	Group			Company		
	Domestic	Foreign	Total	Domestic	Foreign	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<u>Period ended 31 December 2020</u>						
Passengers	32,864,348	9,568,311	42,432,659	32,864,348	9,568,311	42,432,659
Cargo	110,538	90,582	201,120	110,538	90,582	201,120
Mail services	78,082	-	78,082	78,082	-	78,082
Excess baggage	228,942	67,398	296,340	228,942	67,398	296,340
Cancellation income	549,384	-	549,384	549,384	-	549,384
No show fees	981,807	-	981,807	981,807	-	981,807
Fuel surcharge	9,162,109	198,211	9,360,320	9,162,109	198,211	9,360,320
Passenger tickets writeback	2,222,682	755,326	2,978,008	2,222,682	755,326	2,978,008
	<u>46,197,892</u>	<u>10,679,828</u>	<u>56,877,720</u>	<u>46,197,892</u>	<u>10,679,828</u>	<u>56,877,720</u>
<u>Period ended 31 December 2019</u>						
Passengers	61,413,737	33,230,602	94,644,339	61,413,737	33,230,602	94,644,339
Cargo	122,110	240,069	362,179	122,110	240,069	362,179
Mail services	76,954	-	76,954	76,954	-	76,954
Excess baggage	260,223	163,726	423,949	260,223	163,726	423,949
Cancellation income	570,310	-	570,310	570,310	-	570,310
No show fees	1,251,027	-	1,251,027	1,251,027	-	1,251,027
Fuel surcharge	23,235,454	198,211	23,433,665	23,235,454	198,211	23,433,665
Passenger tickets writeback	2,779,221	944,450	3,723,671	2,779,221	944,450	3,723,671
	<u>89,709,036</u>	<u>34,777,058</u>	<u>124,486,094</u>	<u>89,709,036</u>	<u>34,777,058</u>	<u>124,486,094</u>

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 32 CONTINGENCIES

As at 31 December 2020 there were ongoing litigations and claims against the Company amounting to TZS 1.8 billion. Majority of these cases pertain to labour cases that are under mediation between former employees and the Company. Management has assessed the open cases and concluded that the probability of winning is high. Accordingly, there has been no provisions made in the financial statements to cater for these liabilities.

#### 33 EMPLOYEES

Number of employees for the Group at the end of the year was 383 (31 December 2019: 398).

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

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

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

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
<b>Group</b>		
Loss for the year (TZS'000)	(45,086,973)	(44,139,039)
Number of shares ('000')	160,473	160,473
Earnings Per Share (TZS)	(280.96)	(275.06)
<b>Company</b>		
Loss for the year/period (TZS'000)	(44,937,443)	(43,989,494)
Number of shares ('000')	160,473	160,473
Earnings Per Share (TZS)	(280.03)	(274.12)

#### 35 CAPITAL MANAGEMENT

The Group defines capital as the total equity and net debt of the Group. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. While the overall responsibility of capital management rests with the board of Directors, the day-to-day capital management is delegated to the management committee.

The Group manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the year.

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

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 35 CAPITAL MANAGEMENT (CONTINUED)

The Group does not have a target debt ratio.

	Group 31 Dec 2020 TZS'000	Group 31 Dec 2019 TZS'000	Company 31 Dec 2020	Company 31 Dec 2019 TZS'000
Borrowings	(365,069,758)	(350,607,760)	(365,069,758)	(350,607,760)
Overdraft	(415,775)	(1,601,406)	(415,775)	(1,601,406)
Trade and other payables	(106,753,706)	(105,451,655)	(106,753,706)	(105,451,655)
Cash and bank balances	<u>2,651,843</u>	<u>2,858,254</u>	<u>2,651,843</u>	<u>2,858,254</u>
Net debt	<u>(469,587,396)</u>	<u>(454,802,567)</u>	<u>(469,587,396)</u>	<u>(454,802,567)</u>
Equity	<u>396,435,395</u>	<u>351,348,412</u>	<u>396,766,683</u>	<u>351,829,239</u>
Capital and net debt	<u>(73,152,001)</u>	<u>(103,454,155)</u>	<u>(72,820,713)</u>	<u>(102,973,328)</u>
Net debt ratio	<u>(1.18)</u>	<u>(1.29)</u>	<u>(1.18)</u>	<u>(1.29)</u>

#### *Externally imposed capital requirements*

Other than the securities pledged for borrowings (Note 25 and 26), requirements imposed by lenders include:

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

#### 36 FAIR VALUE DISCLOSURES

##### *Fair value hierarchy*

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters are LIBOR yield curve, Bloomberg, and Reuters.
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## PRECISION AIR SERVICES PLC

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

#### 36 FAIR VALUE DISCLOSURES (CONTINUED)

The Group and Company did not have at the reporting date any financial assets and liabilities measured at fair value. The table below analyses the fair value hierarchy of the Group and Company's financial assets and liabilities not measured at fair value at 31 December 2020.

<u>Group</u>	Fair values		<u>31 Dec 2020</u> TZS'000	<u>Carrying amount</u> <u>31 Dec 2019</u> TZS'000
	<u>31 Dec 2020</u> TZS'000	<u>31 Dec 2019</u> TZS'000		
<b><u>Financial assets</u></b>				
Trade and other receivables	2,545,163	9,055,854	2,545,163	9,055,854
Cash and cash equivalents	2,651,843	2,858,254	2,651,843	2,858,254
<b><u>Financial liabilities</u></b>				
Borrowings	365,069,758	350,607,760	365,069,758	350,607,760
Overdraft	415,775	1,601,406	415,775	1,601,406
Trade and other payables	20,183,348	26,044,977	20,183,348	26,044,977
<b><u>Company</u></b>				
<b><u>Financial assets</u></b>				
Trade and other receivables	2,545,163	9,055,854	2,545,163	9,055,854
Cash and cash equivalents	2,651,843	2,858,254	2,651,843	2,858,254
<b><u>Financial liabilities</u></b>				
Borrowings	368,156,598	350,607,760	368,156,598	350,607,760
Overdraft	415,775	1,601,406	415,775	1,601,406
Trade and other payables	20,183,348	26,044,977	20,183,348	26,044,977

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

For the borrowings repayable on demand (classified as current liabilities owing to breach of the terms of the borrowing agreements), the carrying value approximate the fair value.

The carrying amounts of bank overdrafts approximate their fair values due to their short-term maturities. The carrying amounts of term loans other than those for Citibank, Finnfund, and EDC are deemed to approximate their fair values due to materiality of the amounts involved.

#### 37 SUBSEQUENT EVENTS

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Group and Company and results of its operations.

Russia-Ukraine conflict has significantly increased levels of global uncertainty and is expected to impact global markets, outlooks, and the expectations of the markets. Active monitoring of the events unfolding in Europe and continuous assessments of the entity's exposure and potential risks, both direct and indirect, is ongoing as the impact on various markets will not be uniform. The Group and Company has assessed the ongoing conflict and measures taken by different countries and concluded that currently, there is no direct exposure to the operations. The Group and Company continues to monitor the situation.