

Precision Air
You are why we fly



PRECISION AIR SERVICES PLC



**EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS
HELD AT CONFERENCE HALL OF PSSSF GOLDEN JUBILEE
TOWERS,
5TH FLOOR, OHIO STREET, DAR ES SALAAM
FROM 0900 HRS**

Friday, 21st March 2025



NOTICE AND AGENDA



NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that an Extraordinary General Meeting (EGM) of Shareholders of Precision Air Services Plc will be held on Friday 21st March, 2025 at the Conference hall of PSSSF Golden Jubilee Towers, 5th floor, Ohio Street, Dar es salaam from 0900 hrs.

The following agenda will be transacted at the meeting:

1. Opening of the meeting
2. Adoption of the Agenda
3. To receive and consider for noting the Directors' Report, Auditor's Report and the Audited Financial Statements for the year ended 31st of December, 2018, 2019, 2020, 2021, 2022, and 2023.
4. To note the election and appointment of Directors and their remuneration for the period between 2019 - 2024
5. To note the appointment of External Auditors and their remunerations for the period between 2019 – 2024.
6. To receive and approve amendment of the Articles of Association, to introduce an option of holding General Meetings virtually.
7. Any other business for which due notice has been given.
8. Closure of the meeting.

Notes

1. The Register closing date for determining shareholders entitled to vote will be Tuesday, 18th March, 2025 at 1400hrs.
2. A Member wishing to attend the meeting will do so at his or her own cost and must come with a copy of his/ her depository receipt together with one of the following forms of identifications: Passport, National ID (NIDA), Driver's license, Voters Id.
3. A Member entitled to attend and vote at the meeting, if unable to attend for any reason, is entitled to appoint a proxy to attend and vote on his/ her behalf in accordance with the provisions of the Articles of the Company. A duly signed proxy form must be deposited at our Dar es Salaam offices (1st Floor, Diamond Plaza Building, Mirambo Street/ Samora Avenue) or by email to pwmanagement@precisionairtz.com on or before 1400hrs, Tuesday, 18th March, 2025.
4. Copies of the EGM pack and Proxy Forms shall be available at the following Precision Air's link (<https://www.precisionairtz.com/about-us/investor-relations>).
5. Any business to be discussed under agenda item No. 7 must be received by the Secretary in writing not later than 1400hrs on Friday, 7th March, 2025.

This Notice and Agenda is presented at Dar es Salaam this 28th day of February, 2025

MIGIRE KEMBO MIGIRE

COMPANY SECRETARY

BY ORDER OF THE BOARD

TAARIFA YA MKUTANO MKUU MAALUM WA WANAHISA

Taarifa inatolewa kwamba, Mkutano Mkuu Maalum wa Wanahisa wa Shirika la Ndege la Precision Air utafanyika siku ya Ijumaa Tarehe 21 mwezi Machi 2025 katika Ukumbi wa Mkutano wa Jengo la PSSSF Golden Jubilee Towers, Ghorofa ya 5, mtaa wa Ohio Dar es Salaam, kuanzia saa tatu kamili asubuhi.

Ajenda ya Mkutano itakua kama ifuatavyo:

1. Kufungua Mkutano
2. Kupitisha Ajenda za Mkutano
3. Kupokea na kupitisha Taarifa ya Bodi ya Wakurugenzi, Taarifa ya Hesabu za Fedha na Taarifa ya Mkaguzi wa Nje kwa mwaka ulioishia tarehe 31 Desemba, 2018, 2019, 2020, 2021, 2022 na 2023.
4. Kupitisha uteuzi wa Wakurugenzi Pamoja na malipo yao kwa kipindi cha mwaka 2019 - 2024
5. Kupitisha uteuzi wa Wakaguzi wa Nje kwa kipindi cha mwaka 2019 – 2024
6. Kupokea na kuidhinisha mapendekezo ya Marekebisho ya Kanuni za Uendeshaji wa kampuni (MEMARTS) kuruhusu Mkutano Mkuu wa Wanahisa kufanyika kwa njia ya mtandao.
7. Mengineyo
8. Kufunga Mkutano.

Mambo ya Kuzingatia

6. Orodha (Register) ya Wanahisa watakaostahili kupiga kura itafungwa Jumanne tarehe 18 Machi, 2025, saa Nane Mchana.
7. Mwanahisa atajigharamia gharama za kuhudhuria Mkutano na atatakiwa kufika kwenye Mkutano akiwa na nakala yake ya Risiti ya Uwekezaji wa Hisa (Depository receipt), pamoja na kitambulisho chochote kati ya hizi:- Hati ya Kusafirira (Passport), Kitambulisho cha Taifa (NIDA), Leseni ya Udereva au Kitambulisho cha Mpiga Kura.
8. Iwapo Mwanahisa anayeruhusiwa kuhudhuria Mkutano na kupiga kura, atashindwa kwa sababu zozote zile kuhudhuria Mkutano, ataruhusiwa kuchagua Mwakilishi kuhudhuria na kupiga kura kwa niaba yake kwa kufuata na kuzingatia taratibu na Sheria za Kampuni. Nakala ya fomu ya uwakilishi iliyosainiwa na Mwanahisa ifikishwe katika ofisi za Kampuni zilizopo: Ghorofa ya Kwanza jengo la Diamond Plaza, Makutano ya Barabara za Mirambo na Samora, Dar es Salaam au itumwe kwa barua pepe Kwenda: pwmanagement@precisionairtz.com kabla ya saa Nane Mchana, Jumanne tarehe 18 Machi, 2025.
9. Nakala za Makabrasha ya Mkutano Pamoja na Fomu ya Ukawakilishi zitapatikana katika tovuti ifuatayo ya Kampuni: (<https://www.precisionairtz.com/about-us/investor-relations>).
10. Taarifa yoyote itakayojadiliwa chini ya Ajenda Namba. 7 itatakiwa kupokelewa na katibu wa kampuni kwa njia ya maandishi kabla ya saa Nane Mchana, Ijumaa tarehe 07 Machi, 2025.

Notisi hii na Ajenda ya Mkutano zimetolewa Dar es Salaam leo tarehe 28 Februari, 2025

MIGIRE KEMBO MIGIRE

KATIBU WA KAMPUNI

KWA AGIZO LA BODI YA WAKURUGENZI



**TO RECEIVE AND CONSIDER FOR NOTING THE
DIRECTORS' REPORT, ANNUAL ACCOUNTS
AND AUDITORS' REPORT FOR THE PERIOD
ENDED 31ST DECEMBER, 2018, 2019, 2020,
2021, 2022 AND 2023.**

CHAIRMAN'S STATEMENT

Precision Air Services Plc - Report [2018-2023]

Dear Shareholders, Partners, and Stakeholders,

It is my privilege to present this Report, providing an overview of our performance, challenges, and strategic initiatives undertaken over the past years.

Regulatory Compliance & Governance

As per the Companies Act of Tanzania, several key matters—including the adoption of financial statements, the Directors' Report,



the Auditor's Report, and the appointment of auditors and directors—are to be deliberated upon at the Annual General Meeting (AGM). Additionally, financial statements must be presented to shareholders within seven months following the close of the financial year.

However, we acknowledge that there has been a delay in laying before the AGM the audited financial statements for the periods ending 31st December 2018, 2019, 2020, 2021, 2022, and 2023. This delay was not deliberate but rather the result of unforeseen and extenuating circumstances that significantly impacted our operations and financial reporting processes. I would like to take this opportunity to provide insight into the reasons for these delays and our ongoing commitment to transparency and compliance.

Key Challenges Affecting Timely Financial Reporting

1. COVID-19 Pandemic Disruptions

The outbreak of COVID-19 in November, 2019 had a profound effect on our operations. The pandemic struck during an ongoing audit, severely disrupting the process due to government-imposed restrictions, workforce reductions, and remote work limitations. Many employees who were crucial to the audit process were on unpaid leave or working remotely, causing significant delays in finalizing financial statements.

2. Restructuring Discussions with Aircraft Financiers

Precision Air engaged in complex restructuring and refinancing discussions with its lenders, including ECA and EDC, aimed at stabilizing the company's balance sheet to support future

growth and investment. As these negotiations remained ongoing, auditors classified them as a significant post-balance sheet event, affecting the audit opinion for the 2020 financial statements.

In 2021, Precision Air issued a cautionary notice via the Dar es Salaam Stock Exchange (DSE), as the independent auditors, KPMG, required further clarity on the restructuring process before concluding the audit. While the company made every effort to finalize an agreement with its lenders, the prolonged nature of these discussions subsequently delayed the completion of financial audits for 2021, 2022, and 2023.

3. Aircraft Accident (November, 2022):

On 6 November 2022, Precision Air's ATR 42-500 aircraft with registration mark 5H-PWF while operating a scheduled flight PW494 between Dar es Salaam and Bukoba, Tanzania, crashed into Lake Victoria close to the shore and runway at Bukoba Airport. There were 39 passengers, including one infant, and four crew on board. Of the 43, there were 19 fatalities (including both flight crew) and 24 survivors (including two cabin crew).

This accident took place just four (4) days before the planned signing date of the audited accounts ending 31st December, 2021. Since the accident had occurred between the reporting date and the (expected) date of approval of the financial statements under the International Accounting Standards (IAS) it was categorized as a 'subsequent event'. As directed by the Auditors, the financial statements had to be reviewed with the Company required to assure that the Auditors that the event would not have an impact on the company's 'going concern' and lastly such an event had to be disclosed in the within the financial statements [See Note 37 of the Audited Financial Statements for the period ended 31st December, 2021. After making the aforementioned disclosure, the audited accounts for the period ending 31st December, 2021 were ready for signing again in the year 2023, however, again the same could not be achieved due to another circumstance explained in (4) below.

4. Passing of Our Esteemed Chairman, Mr. Michael Shirima

On 9th June 2023, we suffered the tragic loss of Mr. Michael Shirima, our esteemed Chairman and one of the company's major shareholders. His passing was not only a great personal and professional loss but also had governance implications.

Three months prior to his passing, Mr. Abdulrahman Kinana, a Board member appointed by Mr. Shirima, resigned from the Board. Mr. Shirima was in the process of appointing a replacement, but his untimely demise resulted in two Board vacancies. This led to a governance challenge, as the Board fell below the required minimum of seven members, rendering it unable to approve financial statements or convene an AGM.

The DSE, Capital Markets and Securities Authority (CMSA), and BRELA were officially notified of the development on 27th November 2023. The company had to await the completion of the probate process by Mr. Shirima's family before the Board vacancies could be filled. This was finalized in early 2024.

Commitment to Regulatory Compliance & Financial Integrity

Despite these challenges, we remained fully engaged with regulators throughout this period, ensuring that the DSE, CMSA, and BRELA were kept informed of the company's efforts to rectify the situation.

We are pleased to report that, with the governance structure now restored and the necessary audits completed, Precision Air is positioned to resume regular reporting cycles and uphold the highest standards of corporate governance and transparency.

Presentation of Financial Reports

In light of the above, we are laying before this EGM the audited financial statements and directors' reports for the financial years ending December 31, 2018, 2019, 2020, 2021, 2022, and 2023 for review and noting.

We acknowledge the patience of our shareholders, regulators, and business partners during this difficult period, and we reaffirm our commitment to strengthening governance, financial stability, and operational excellence.

Looking Forward

As we emerge from these challenges, Precision Air is focused on:

- ✈ Strengthening our financial position through effective debt restructuring.
- ✈ Expanding our route network to enhance connectivity and revenue growth.
- ✈ Investing in technology and operational efficiencies to improve service delivery.
- ✈ Upholding governance and compliance to rebuild trust and investor confidence.

Appreciation

On behalf of the Board of Directors, I extend my sincere appreciation to our shareholders, regulators, management, employees, customers, and business partners for their continued trust and commitment to Precision Air. Your support has been invaluable, and together, we will continue to soar to greater heights.

Thank you.

Allan Kilavuka

Chairman – Board of Directors, Precision Air Services Plc



**TO RECEIVE AND CONSIDER FOR NOTING THE
DIRECTORS' REPORT, ANNUAL ACCOUNTS
AND AUDITORS' REPORT FOR THE PERIOD
ENDED 31ST DECEMBER, 2018**



**AN EXTRACT OF THE DIRECTORS' REPORT,
ANNUAL ACCOUNTS AND AUDITORS' REPORT
FOR THE PERIOD ENDED
31ST DECEMBER 2018**

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

1 INTRODUCTION

The Directors present their annual report together with the consolidated and separate audited financial statements for the 9-month period ended 31 December 2018 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 9-month period ended 31 December 2018 were approved and authorised for issue by Directors as indicated on the statement of financial position.

2 INCORPORATION

The Company and its subsidiaries are incorporated in Tanzania 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 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 (31 March 2018: thirteen (13) locations) within and outside Tanzania. (Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Kigoma, Tabora, Zanzibar, Nairobi, Musoma, Serengeti, Entebbe and Kahama).

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 PERIOD

Capacity offered to market

The Available Seats Kilometre (ASK) released to the market amounted to 302 million against a prior year level of 392 million, a decrease of 23%.

Capacity utilised

Total passengers carried in the network during the financial period was 365,892 compared to a prior year level of 474,247 thus a decrease of 23% compared to prior year. The decrease is because of the nine months presentation for the period ended 31 December 2018 compared to twelve months for the year ended 31 March 2018. There were no significant changes in terms of frequencies offered and routes operated for the period ended 31 December 2018 compared to the period ended 31 March 2018.

The Revenue Passenger Kilometre (RPK) achieved from the market was 163 million against prior year level of 215 million; thus, a decrease of 24% compared to prior year.

Yields

Yield per RPK achieved during the 9-month period was 21.78 US Cents (USc) compared to a prior year level of USc 20.00.

Profitability

The Group recorded a loss of TZS 37.1 billion (31 March 2018: loss of TZS 21.5 billion), whereas the Company recorded a loss of TZS 36.9 billion during the 9-month period (31 March 2018: loss of TZS 21.4 billion). Detailed financial results of the Group and Company for the period are set out on page 18.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

7 FUTURE DEVELOPMENTS AND PLANS

The Group will continue focusing on improving profitability and liquidity ensure the airline remain 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 our 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 BER 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 JV 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;
- 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 period, there was no fluctuation in the Company's share price. At the close of the financial period the Company's share was trading at the Dar es Salaam Stock exchange at TZS 470 per share (31 March 2018: TZS 470 per share).

9 DIVIDENDS

The Directors do not recommend payment of dividend (31 March 2018: 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 recorded a net loss of TZS 37.1 billion for the 9-month period ended 31 December 2018 (31 March 2018: loss of TZS 21.5 billion) and as at that date, the Group's current liabilities exceeded its current assets by TZS 435.8 billion (31 March 2018: TZS 426.3 billion). The Group was also in a shareholders' deficit position of TZS 307.2 billion as at that date (31 March 2018: TZS 270.1 billion).

Furthermore, the Company recorded a net loss of TZS 36.9 billion for the 9-month period ended 31 December 2018 (31 March 2018: loss of TZS 21.4 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 435.8 billion (31 March 2018: TZS 426.3 billion). The Company was also in a shareholders' deficit position of TZS 307.8 billion as at that date (31 March 2018: TZS 270.9 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 relevant authorities.

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

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

10 SOLVENCY AND GOING CONCERN EVALUATION (CONTINUED)

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

Management have reviewed these considerations and the results of this assessment have been documented and presented to the Directors and major lenders for their consideration as set forth in Note 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 30 of the consolidated and separate financial statements.

12 CAPITAL STRUCTURE AND DEBT FINANCING

The capital structure for the 9-months period under review is shown below:

Authorised share capital

242,000,000 ordinary shares of TZS 20 each (31 March 2018: 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 March 2018: 160,472,720 ordinary shares of TZS 20 each).

Share premium

The Group realised 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 period under review.

Loans

The Group is financed by loans amounting to TZS 334.2 billion as at period end (31 March 2018: TZS 317.5 billion). A significant portion of these loans has been classified as current in these financial statements due to breach of covenants in the loan agreements. For more details, refer to Note 27 of the financial statements.

13 SHAREHOLDING

The shareholding of the Group as at period end is as stated below:

Name	31 December 2018			31 March 2018		
	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
	160,472,720	100.00	3,209,454	160,472,720	100.00	3,209,454

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

13 SHAREHOLDING (CONTINUED)

The distribution of shareholders as at 31 December 2018 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 (News Papers) Ltd	300,000	0.19%	Corporate	Tanzanian
Quality Group Ltd	210,500	0.13%	Corporate	Tanzanian
Raj Chintan Kakkad	200,000	0.12%	Minor	Tanzanian
Shilpa Pratish Kakkad	200,000	0.12%	Individual	Tanzanian
Chintan Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Dhiraj Chintan Kakkad	200,000	0.12%	Individual	Tanzanian
Pratish Maganlal Kakkad	200,000	0.12%	Individual	Tanzanian
Than Investments Ltd	200,000	0.12%	Corporate	Tanzanian
NICOL (T) Ltd	200,000	0.12%	Corporate	Tanzanian
Others individually holding less than 0.12%	20,485,220	12.79%		
	160,472,720	100.00%		

* 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 (31 March 2018: 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 period 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	78	16 January 1991	N/A
Mr. Vincent M. Shirima	Tanzanian	Director	46	11 September 1997	19 December 2019
Mr. Sebastian Piotr Mikosz	Polish	Director	48	29 June 2017	5 February, 2020
Mr. Avelyne Msaki	Tanzanian	Director	46	29 August 2016	N/A
Mr. Vincent Coste	French	Director	52	20 March 2018	10 August, 2018
Ms. Hellen Muthoni Mathuka	Kenyan	Director	47	20 March 2018	N/A
Mr. Abdulrahman Omar Kinana	Tanzanian	Director	70	18 April 2018	N/A
Mr. Julius Ngunu Thairu	Kenyan	Director	45	1 September 2018	N/A
Mr. Evans Ndorosey	Tanzanian	Director	71	19 December 2019	N/A
Mr. Allan Kilavuka Inuani	Kenyan	Director	49	27 February 2020	N/A

The Group company secretary during the period 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 2018</u>	<u>31 March 2018</u>
	<u>TZS '000'</u>	<u>TZS '000'</u>
Chairman of the board	6,236	3,060
Other Directors	24,944	19,885
<u>Other fees paid during the period to the Directors¹:</u>		
Chairman of the board	292,144	380,590

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (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;
- Finance;
- Commercial Strategy and Network Planning;
- Human Resources and Administration;
- Flight Operations;
- Information Systems;
- Technical and Engineering;
- Ground Operations;
- Quality & Safety;
- Legal; and
- Internal Audit.

18 KEY MANAGEMENT PERSONNEL

The key management personnel who served the Group during the 9-month period up to the date of this report were:

Mr Patrick Mwanri	- Group Managing Director & CEO (Appointed - 1 April 2019)
Ms Sauda Rajab	- Group Managing Director & CEO (Resigned - 31 March 2019)
Mr Deusdedit Mussa	- Head of Finance and Information Systems (Appointed - 1 April 2019)
Mr Elly Osewe	- Head of Finance and Information Systems (Resigned- 31 March 2019)
Ms Lilian Massawe	- Head of Commercial and Ground Services (Appointed 19 June 2019)
Mr Robert Owusu	- Head of Commercial and Ground Services (Resigned 31 March 2019)
Ms Reynada Sikira	- Head of Human Resources and Administration
Mr Peter Fiwa	- Head of Flight Operations
Mr Pablo Alves	- Head of Technical
Mr Patrick Mwanri	- Head Quality, Safety and Security (Re-appointed 1 April 2019)
Mr Khalid Kaude	- Head Quality, Safety and Security (Appointed 19 July 2021)
Ms Anale John	- Head of Internal Audit (Relocated to Revenue Accounting Manager in March 2019)
Ms Wendy Benedict	- Head of Internal Audit (Appointed on, 1 April 2020)
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 6 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 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. 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 9-month period ended 31 December 2018 (31 March 2018: Nil). Acquisitions and disposals of properties and equipment are disclosed on Note 17 of the financial statements.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

22 POLITICAL AND CHARITABLE DONATIONS

There were no contributions to community projects and other charitable organizations during the period (31 March 2018: Nil). No political donations were made during the period (31 March 2018: Nil).

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 period.

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

Training Facilities

The Group sponsors its employees for both short-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 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 mandatory basis. The Company contributes 10% of the employees' gross salaries to the pension schemes.

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

The number of employees in the Group at the end of period totalled 396 as compared to 364 at the end of year ended 31 March 2018. None of the subsidiaries had an employee.

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, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2018, the Group had 255 (64%) male and 141 (36%) female employees (31 March 2018: 238 (65%) male and 126 (35%) 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 regards to race, gender, religion or disabilities.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (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 conduct of day-to-day business to the Managing Director who is also the Chief Executive Officer (CEO). The Board nonetheless retains responsibility for establishing and maintaining the airline's overall internal control of financial, operational and compliance issues.

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 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 review of the financial statements, compliance with Accounting Standards, liaison with the external auditors, remuneration of the external auditors, and maintaining oversight on internal control systems. The Head of Internal Auditor, Head of Finance and Information Systems and 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 9-month period ended 31 December 2018 and the audit committee met twice.

Name	84th BOD meeting	BOD Extraordinary meeting	85th BOD meeting	BAC Extraordinary meeting	43 rd BAC meeting
1 Mr Michael Shirima	√	√	√	*	*
2 Mr Vincent N. Shirima	√	√	√	√	√
3 Mr. Avelyne Msaki	√	√	√	√	√
4 Ms. Hellen Mwariri	√	√	√	√	√
5 Mr. Vincent Coste	√	X	R	*	*
6 Mr Sebastian Mikosz	X	√	√	*	*
8 Mr. Abdulrahman Kinana	X	X	√	*	*
9 Julius Thairu	X	X	√	*	*

Key: √ attended the meeting; X absent with apology; R resigned; * 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.

Code of ethics

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

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018 (CONTINUED)

26 CORPORATE GOVERNANCE (CONTINUED)

Directors' emoluments and loans

The aggregate amount of emoluments paid to Directors for services rendered during the 9-month period ended 31 December 2018 are disclosed in Note 30 (b) of the financial statements. Neither at the end of the financial period nor at any time during the period 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 period.

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 period, 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 STATEMENT OF COMPLIANCE

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

As required by the Capital Markets and Security Authority, the Directors confirms with Guidelines on Corporate Governance Practices by public listed companies in Tanzania.

30 AUDITOR

The auditor, KPMG, has expressed its 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 12-month period ended 31 December 2019 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: 14 SEPTEMBER 2021

Date: 14 SEPTEMBER 2021

Signature: 

Signature: 

PRECISION AIR SERVICES PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

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 statement of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and cash flows for the 9-month period 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 14 SEPTEMBER 2021.

Name: Michael Shirima

Title: Chairperson

Signature:  _____

Date: 14 SEPTEMBER 2021

Name: Avelyne Msaki

Title: Director

Signature:  _____

PRECISION AIR SERVICES PLC

DECLARATION OF THE HEAD OF FINANCE FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

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, **Deusededit Mussa**, being the Head of Finance of Precision Air Services Plc hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the 9-month period ended 31 December 2018 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

NBAA Membership No.: ACPA 2132

Date: 14 September 2021



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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

Opinion

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 69, which comprise the consolidated and separate statements of financial position as at 31 December 2018, 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 9-month period then ended, and notes to the consolidated and separate financial statements, comprising 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 statement of financial position of Precision Air Services Plc as at 31 December 2018, 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 indicates that the Group and company incurred a net loss of TZS 37.1 billion and TZS 36.9 billion respectively during the 9-month period ended 31 December 2018 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by TZS 435.8 billion each while the Group's and Company's total liabilities exceeded their total assets by TZS 307.2 billion and TZS 307.8 billion respectively. In addition, the Group and Company defaulted on their debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 334.2 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.

KPMG is a registered partnership in Tanzania and a member firm of the KPMG global organization of independent firms affiliated with KPMG International Limited ("KPMG International"), a private English company limited by guarantee.

Partners

A Njombe
V Onjala

**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>1. Passenger revenue recognition in the consolidated and separate financial statements (Refer to Note 5(a) and Note 9 (a) to the consolidated and separate financial statements)</p>	
<p>During the 9-month period ended 31 December 2018, the Group and Company recognised passenger revenue of TZS 97.3 billion.</p> <p>The Group and Company recognise revenue from sale of passenger tickets as income when a passenger has flown or on expiry of the ticket based on agreed terms and conditions.</p> <p>The risk of revenue being recognised in an incorrect period is considered a key audit matter because of the financial significance of passenger revenues. In addition, passenger revenue is a key financial performance measure which could create an incentive for passenger revenues, unutilised tickets and unclaimed passenger tickets to be written back into revenue in an incorrect period.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the revenue management processes and assessing the design and operating effectiveness of relevant manual controls over recognition of revenue; - Evaluating the appropriateness of the allocation of the transaction price, including consideration of multiple performance obligations and the timing of satisfaction of the performance obligations; - Testing existence of revenue transactions during the period by vouching the transactions on sample basis to the underlying supporting documentations such as passenger manifest reports; - Evaluating the reasonability of management's policy for recognising revenue on expired, unutilised and unclaimed tickets against the terms and conditions of the tickets sold and historical trends and also by re-computing the revenue write back based on management's policy informed by historical data; - Reperforming a reconciliation between the total tickets sold, the total revenue recognised (i.e. the total uplifts in the period) including uplifts done by other carriers, the expired tickets recognised in revenue and the sales in advance of carriage (i.e. the unutilised tickets); - Re-computing the write back of expired tickets in the period based on management's policy; - Testing timeliness of revenue recognition by comparing individual sales transactions to flown ticket documents and by checking significant credit notes issued after period-end. - Inspecting manual journals posted to the revenue account for validity; and - Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 15, <i>Revenue from Contracts with Customers</i>.

**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. Aircrafts impairment in the consolidated and separate financial statements (Note 8(i) and Note 17 to the consolidated and separate financial statements)	
<p>As at 31 December 2018, the Group and Company had aircrafts with a carrying amount of TZS 114.9 billion after charging impairment loss of TZS 22.4 billion during the 9-month period then ended.</p> <p>Aircrafts impairment has been considered to be key audit matter because:</p> <ul style="list-style-type: none"> - Aircrafts are the main revenue-generating assets of the Group and Company and it makes up 76% of total assets; and - The identification of indicators of impairment and determination of the estimate of the recoverable amount of aircrafts involves subjective judgments and uncertainties that require special audit consideration because of the likelihood and potential magnitude of misstatements to the values of aircrafts. The determination of the recoverable amounts involves the use of assumptions and market price values informed by factors such as age of the aircraft, economic and market conditions, cumulative hours of flight and cumulative number of flight cycles. 	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - Assessing the condition of the aircraft and aircraft components through physical verification and inspection of relevant data such as aircraft utilisation records. - Assessing the appropriateness of method used by management in determination of recoverable amount of aircraft by evaluating whether it is aligned to the methodologies and approaches under IFRS 13 <i>Fair Value Measurements</i> and IAS 36 <i>Impairment of Assets</i>. - Challenging the management's assumptions used in determination of recoverable amounts of aircraft and its components such as the use of half-life market values through enquiries with technical engineers and inspection of technical reports; and - Evaluating the adequacy of disclosures in the consolidated and separate financial statements in accordance with the requirements of IAS 36 <i>Impairment of Assets</i> and IFRS 13 <i>Fair Value Measurement</i>.

Other Matter

The consolidated and separate financial statements for the year ended 31 March 2018 were audited by another auditor who expressed an unmodified opinion with a material uncertainty relating to going concern on those statements on 30 April 2019.

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 9-Month Period Ended 31 December 2018* 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 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 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 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; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG
Certified Public Accountants (T)

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

Date: 14 SEPTEMBER 2021

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE 9-MONTH PERIOD ENDED 31 DECEMBER 2018

	Notes	Group 9-month period ended 31 Dec 2018 TZS '000	Group 12-month period ended 31 Mar 2018 TZS '000	Company 9-month period ended 31 Dec 2018 TZS '000	Company 12-month period ended 31 Mar 2018 TZS '000
Revenue	9	97,925,633	139,111,275	97,925,633	139,111,275
Cost of sales	10	(86,608,161)	(105,495,971)	(86,608,161)	(105,495,971)
Gross profit		11,317,472	33,615,304	11,317,472	33,615,304
Other income	11	14,826,503	10,318,560	14,826,503	10,318,560
Marketing expenses	12	(1,136,545)	(1,682,592)	(1,136,545)	(1,682,592)
Administrative expenses	13	(15,233,626)	(36,042,030)	(15,084,090)	(35,902,898)
Impairment loss on aircrafts	17	(22,386,491)	(1,025,824)	(22,386,491)	(1,025,824)
Net increase in impairment provisions for trade receivables	22	(5,333,729)	(4,210,905)	(5,333,729)	(4,210,905)
Operating (loss)/profit		(17,946,416)	972,513	(17,796,880)	1,111,645
Finance costs	14	(19,133,862)	(22,518,099)	(19,133,862)	(22,518,099)
Loss before income tax		(37,080,278)	(21,545,586)	(36,930,742)	(21,406,454)
Income tax expense	25(b)	-	-	-	-
Loss for the period		(37,080,278)	(21,545,586)	(36,930,742)	(21,406,454)
Other comprehensive income		-	-	-	-
Total comprehensive loss		(37,080,278)	(21,545,586)	(36,930,742)	(21,406,454)
Loss attributable to:					
Owners of the Company		(37,080,128)	(21,545,447)	-	-
Non-controlling interest	16	(150)	(139)	-	-
		(37,080,278)	(21,545,586)	-	-
Earnings Per Share (TZS)	36	(231.07)	(134.26)	(230.14)	(133.40)

The notes on pages 23 to 69 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 2018

		Group <u>31 Dec 2018</u>	Group <u>31 Mar 2018</u>	Company <u>31 Dec 2018</u>	Company <u>31 Mar 2018</u>
	Notes	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Non-current assets					
Property and equipment	17	127,777,691	156,102,954	127,351,094	155,529,205
Intangible assets	18	<u>786,393</u>	<u>731,669</u>	<u>582,637</u>	<u>525,529</u>
		<u>128,564,084</u>	<u>156,834,623</u>	<u>127,933,731</u>	<u>156,054,734</u>
Current assets					
Inventory	21	12,464,891	9,118,769	12,464,891	9,118,769
Trade and other receivables	22	5,093,277	9,014,819	5,093,277	9,014,819
Prepayments	23	599,194	210,398	599,194	210,398
Other financial assets	20	2,403,272	2,235,440	2,403,272	2,235,440
Cash and cash equivalents	24	<u>1,306,236</u>	<u>604,937</u>	<u>1,306,236</u>	<u>604,937</u>
		<u>21,866,870</u>	<u>21,184,363</u>	<u>21,866,870</u>	<u>21,184,363</u>
TOTAL ASSETS		<u><u>150,430,954</u></u>	<u><u>178,018,986</u></u>	<u><u>149,800,601</u></u>	<u><u>177,239,097</u></u>

The notes on pages 23 to 69 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 2018 (CONTINUED)

		<u>Group</u> 31 Dec 18 TZS '000	<u>Group</u> 31 Mar 18 TZS '000	<u>Company</u> 31 Dec 18 TZS '000	<u>Company</u> 31 Mar 18 TZS '000
EQUITY AND LIABILITIES	Notes				
Equity					
Share capital	26(a)	3,209,454	3,209,454	3,209,454	3,209,454
Share premium	26(b)	10,490,987	10,490,987	10,490,987	10,490,987
Accumulated losses		(320,910,532)	(283,830,404)	(321,540,177)	(284,609,435)
Non-controlling interest	16	708	858	-	-
		<u>(307,209,383)</u>	<u>(270,129,105)</u>	<u>(307,839,736)</u>	<u>(270,908,994)</u>
Non-current liabilities					
Borrowings	27	-	661,218	-	661,218
Current liabilities					
Borrowings	27	334,175,125	316,860,180	334,175,125	316,860,180
Overdraft	28	5,206,617	6,825,567	5,206,617	6,825,567
Trade and other payables	29	100,597,061	105,950,311	100,597,061	105,950,311
Sales in advance of carriage	9	15,667,371	16,162,693	15,667,371	16,162,693
Corporate tax payable	25(a)	1,112,019	1,241,176	1,112,019	1,241,176
Other tax payables	25(b)	882,144	446,946	882,144	446,946
		<u>457,640,337</u>	<u>447,486,873</u>	<u>457,640,337</u>	<u>447,486,873</u>
TOTAL LIABILITIES		<u>457,640,337</u>	<u>448,148,091</u>	<u>457,640,337</u>	<u>448,148,091</u>
TOTAL EQUITY AND LIABILITIES		<u>150,430,954</u>	<u>178,018,986</u>	<u>149,800,601</u>	<u>177,239,097</u>

The consolidated and separate financial statements on page 18 to 69 were approved by the Board of Directors and authorised for issue on 14 SEPTEMBER 2021 and were signed by:

Name: Michael Shirima

Title: Chairperson

Signature: 

Name: Avelyne Msaki

Title: Director

Signature: 

The notes on pages 23 to 69 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 9-MONTH PERIOD ENDED 31 DECEMBER 2018

GROUP

	<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 April 2018	3,209,454	10,490,987	(283,830,404)	858	(270,129,105)
Loss for the period	-	-	(37,080,128)	(150)	(37,080,278)
At 31 December 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(320,910,532)</u>	<u>708</u>	<u>(307,209,383)</u>
At 1 April 2017	3,209,454	10,490,987	(262,284,957)	997	(248,583,519)
Loss for the year	-	-	(21,545,447)	(139)	(21,545,586)
At 31 March 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(283,830,404)</u>	<u>858</u>	<u>(270,129,105)</u>

COMPANY

At 1 April 2018	3,209,454	10,490,987	(284,609,435)	-	(270,908,994)
Loss for the period	-	-	(36,930,742)	-	(36,930,742)
At 31 December 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(321,540,177)</u>	<u>-</u>	<u>(307,839,736)</u>
At 1 April 2017	3,209,454	10,490,987	(263,202,981)	-	(249,502,540)
Loss for the year	-	-	(21,406,454)	-	(21,406,454)
At 31 March 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(284,609,435)</u>	<u>-</u>	<u>(270,908,994)</u>

The notes on pages 23 to 69 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 9-MONTH PERIOD ENDED 31 DECEMBER 2018

	Note	Group 9-month period ended 31 Dec 2018 TZS '000	Group 12-month period ended 31 Mar 2018 TZS '000	Company 9-month period ended 31 Dec 2018 TZS '000	Company 12-month period ended 31 Mar 2018 TZS '000
Operating activities					
Loss after tax		(37,080,278)	(21,545,586)	(36,930,742)	(21,406,454)
<i>Adjustments for:</i>					
Depreciation of property and equipment	17	23,797,571	26,383,797	23,650,419	26,244,990
Gain on disposal of property and equipment	11	(18,000)	(11,092)	(18,000)	(11,092)
Amortisation of intangible assets	18	97,502	114,727	95,118	114,727
Interest on borrowings	27	13,957,397	12,491,632	13,957,397	12,491,632
Impairment of property and equipment	17	22,386,491	1,025,824	22,386,491	1,025,824
Provision for bad debts	22	(5,333,729)	(4,210,905)	(5,333,729)	(4,210,905)
Release of provisions		(11,603,813)	18,235,712	(11,603,813)	18,235,712
Net unrealised forex	15	4,032,838	2,745,672	4,032,838	2,745,672
Net cash before working capital changes		10,235,979	35,229,781	10,235,979	35,230,106
<i>Changes in Working Capital:</i>					
• Inventories		(3,346,122)	710,373	(3,346,122)	710,373
• Trade and other receivables		9,381,829	4,532,888	9,381,829	4,532,568
• Prepayments		(388,796)	(83,390)	(388,796)	(83,390)
• Sales in advance of carriage		(495,322)	(4,826,712)	(495,322)	(4,826,712)
• Trade and other payables		6,902,348	(8,168,243)	6,902,348	(8,168,243)
Cash generated from operations		22,289,916	27,394,697	22,289,916	27,394,702
Income tax paid	25(a)	(129,157)	(400,000)	(129,157)	(400,000)
Net cash from operating activities		22,160,759	26,994,697	22,160,759	26,994,702
Investing activities					
Acquisition of computer software	18	(152,226)	(163,758)	(152,226)	(163,763)
Proceeds from sale of property and equipment		18,000	11,092	18,000	11,092
Purchase of property and equipment	17	(17,858,799)	(14,792,152)	(17,858,799)	(14,792,152)
Net cash used in investing activities		(17,993,025)	(14,944,818)	(17,993,025)	(14,944,823)
Financing activities					
Repayment of borrowings					
• Interest	27	(1,737,088)	(3,867,667)	(1,737,088)	(3,867,667)
• Principal	27	(39,828)	(5,063,750)	(39,828)	(5,063,750)
Proceed from borrowings		-	1,798,992	-	1,798,992
Net cash used in financing activities		(1,776,916)	(7,132,425)	(1,776,916)	(7,132,425)
Net increase in cash and cash equivalents		2,390,818	4,917,454	2,390,818	4,917,454
Cash and cash equivalents at start of the period/year		(6,220,630)	(11,252,899)	(6,220,630)	(11,252,899)
Effect of movements in exchange rates on cash held		(70,569)	114,815	(70,569)	114,815
Cash and cash equivalents at period end	24	(3,900,381)	(6,220,630)	(3,900,381)	(6,220,630)

The notes on pages 23 to 69 form part of these consolidated and separate financial statements.

Report of the Auditor – page 13-17

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2018, be received by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2018, be and are hereby received”.

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2018, be noted by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2018, be and are hereby noted”.



**TO RECEIVE AND CONSIDER FOR NOTING
THE DIRECTORS' REPORT, ANNUAL
ACCOUNTS AND AUDITORS' REPORT FOR
THE PERIOD ENDED
31ST DECEMBER, 2019.**



**AN EXTRACT OF THE DIRECTORS' REPORT,
ANNUAL ACCOUNTS AND AUDITORS'
REPORT FOR THE PERIOD
ENDED 31ST DECEMBER, 2019.**

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

1 INTRODUCTION

The Directors present their annual report together with the consolidated and separate audited financial statements for the year ended 31 December 2019 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 2019 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 (2018: 13) within (domestic destinations) and outside Tanzania (regional destinations). Domestic destinations include Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Kigoma, Tabora, Musoma, Serengeti, Kahama and Zanzibar. Regional destinations include Nairobi, Musoma 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 414 million (2018: 302 million) which is an increase of 37%.

Capacity utilized

Total passengers carried in the network during the financial year was 483,766 compared to a prior-year level of 365,892 thus an increase of 32% compared to the prior year. The increase is because of the nine (9) months presentation for the 9-month period ended 31 December 2018 compared to the 12 months for the year ended 31 December 2019. There were no significant changes in terms of frequencies offered and routes operated for the year ended 31 December 2019 compared to the 9-month period ended 31 December 2018.

The Revenue Passenger Kilometre (RPK) achieved from the market was 217 million (2018: 163 million) which is an increase of 33% compared to the prior year.

Yields

Yield per RPK achieved during the year was 18.93 US Cents (USc) (2018: USc 21.78).

Profitability

During the year the Group recorded a loss of TZS 44.1 billion (2018: loss of TZS 37.1 billion), whereas the Company recorded a loss of TZS 44.0 billion (2018: loss of TZS 36.9 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 2019 (CONTINUED)

7 FUTURE DEVELOPMENTS AND PLANS

The Group will continue to focus on improving profitability and liquidity to ensure the airline remain 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 our 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;
- 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 2018: TZS 470 per share).

9 DIVIDENDS

The Directors do not recommend payment of dividend (31 December 2018: 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 recorded a net loss of TZS 44.1 billion during the year (2018: loss of TZS 37.1 billion) and as of that date, the Group's current liabilities exceeded its current assets by TZS 451.7 billion (2018: TZS 435.8 billion). The Group was also in a shareholders' deficit position of TZS 351.3 billion as of that date (2018: TZS 307.2 billion).

Furthermore, during the year the Company recorded a net loss of TZS 44.0 billion (2018: loss of TZS 36.9 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 451.7 billion (2018: TZS 435.8 billion). The Company was also in a shareholders' deficit position of TZS 351.8 billion as at that date (2018: TZS 307.8 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 2019 (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 30 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 2018: 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 2018: 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 350.7 billion as of year-end (2018: TZS 334.2 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 26 of the financial statements.

13 SHAREHOLDING

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

Name	31 December 2019			31 December 2018		
	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
	160,472,720	100.00	3,209,454	160,472,720	100.00	3,209,454

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

13 SHAREHOLDING (CONTINUED)

The distribution of shareholders as of 31 December 2019 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%		
	160,472,720	100.00%		

* 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 (2018: 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	79	16 January 1991	N/A
Mr. Vincent M. Shirima	Tanzanian	Director	47	11 September 1997	19 December 2019
Mr. Sebastian Piotr Mikosz	Polish	Director	49	29 June 2017	5 February 2020
Mr. Avelyne Msaki	Tanzanian	Director	47	29 August 2016	N/A
Ms. Hellen Muthoni Mathuka	Kenyan	Director	48	20 March 2018	N/A
Mr. Abdulrahman Omar Kinana	Tanzanian	Director	71	18 April 2018	N/A
Mr. Julius Ngunu Thairu	Kenyan	Director	46	1 September 2018	26 August 2021
Mr. Evans Ndorosey	Tanzanian	Director	72	19 December 2019	N/A
Mr. Allan Kilavuka Inuani	Kenyan	Director	50	27 February 2020	N/A
Mr. Dickson Murianki	Kenyan	Director	53	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 2019</u>	<u>31 December 2018</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	389,525	292,144
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PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019 (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;
- Finance;
- Commercial Strategy and Network Planning;
- Human Resources and Administration;
- Flight Operations;
- Information Systems;
- Technical and Engineering;
- Ground Operations;
- Quality & Safety;
- Legal; and
- Internal Audit.

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 (Appointed - 1 April 2019);
Ms. Sauda Rajab	- Group Managing Director & CEO (Resigned - 31 March 2019);
Mr. Deusdedit Mussa	- Head of Finance and Information Systems (Appointed - 1 April 2019);
Mr. Elly Osewe	- Head of Finance and Information Systems (Resigned- 31 March 2019);
Ms. Lilian Massawe	- Head of Commercial and Ground Services (Appointed 19 June 2019);
Mr. Robert Owusu	- Head of Commercial and Ground Services (Resigned 31 March 2019);
Ms. Reynada Sikira	- Head of Human Resources and Administration;
Mr. Peter Fiwa	- Head of Flight Operations;
Mr. Pablo Alves	- Head of Technical;
Mr. Patrick Mwanri	- Head Quality, Safety and Security (Re-appointed to CEO on 1 April 2019);
Mr. Khalid Kaude	- Head Quality, Safety and Security (Appointed 19 July 2021);
Ms. Anale John	- Head of Internal Audit (Relocated to Revenue Accounting Manager in March 2019);
Ms. Wendy Benedict	- Head of Internal Audit (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 2019 (2018: Nil). Acquisitions and disposals of properties and equipment are disclosed on Note 16 of the financial statements.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

22 POLITICAL AND CHARITABLE DONATIONS

There was a contribution to community projects and other charitable organizations during the year of TZS 2.7 Million (2018: Nil). No political donations were made during the year (2018: Nil).

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.

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.

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 number of employees in the Group at the end of the year totaled 398 as compared to 396 at the end of the year ended 31 December 2018. None of the subsidiaries had an employee.

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, tribes, religion, and disability which does not impair the ability to discharge duties. As at 31 December 2019, the Group had 252 (63%) male and 146 (37%) female employees (31 December 2018: 255 (64%) male and 141 (36%) 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 2019 (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 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 on internal control systems. The Head of Internal Auditor, Head of Finance and Information Systems, and Managing Director/Chief Executive Officer attend all meetings of the committee. The external auditors attend the meetings on the invitation.

The Board met four (4) times during the year ended 31 December 2019 and the audit committee met twice.

Name	86th BOD meeting	87th BOD meeting	88th BOD meeting	89th BOD Meeting	44 TH BAC meeting	45 TH BAC meeting	46 TH BAC meeting	47 TH BAC meeting
1 Mr Michael Shirima	√	√	√	√	*	*	*	*
2 Mr Vincent N. Shirima	√	√	√	√	√	√	√	√
3 Mr. Avelyne Msaki	X	√	√	√	X	√	√	√
4 Ms. Hellen Mwariri	√	√	√	X	√	√	√	A
5 Mr Sebastian Mikosz	X	X	X	√	*	*	*	*
6 Mr. Abdulrahman Kinana	X	√	X	√	*	*	*	*
7 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.

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.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

26 CORPORATE GOVERNANCE (CONTINUED)

Directors' emoluments and loans

The emoluments paid to Directors for services rendered during the year ended 31 December 2019 are disclosed in Note 30 (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 STATEMENT OF COMPLIANCE

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

As required by the Capital Markets and Security Authority, the Directors confirm with Guidelines on Corporate Governance Practices by public listed companies in Tanzania.

30 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 2020 will be put to the Annual General Meeting.

BY THE ORDER OF THE BOARD

Name: Michael Shirima

Name: Avelyne Msaki

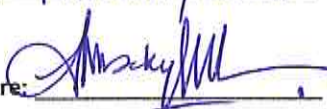
Title: Chairperson

Title: Director

Date: 7 February 2022

Date: 7 February 2022

Signature: 

Signature: 

PRECISION AIR SERVICES PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, 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 7 February 2022.

Name: Michael Shirima

Title: Chairperson

Signature: 

Name: Avelyne Msaki

Title: Director

Signature: 

PRECISION AIR SERVICES PLC

DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2019

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 of Precision Air Services Plc hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the year ended 31 December 2019 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

NBAA Membership No.: ACPA 2132

Date: ..7..... February 2022



KPMG
Certified Public Accountants
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Internet www.kpmg.com/eastafrica

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 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements changes in equity and consolidated and separate statements cash flows for the year then ended, and notes to the consolidated and separate financial statements, comprising 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 2019, 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 44.1 billion and TZS 44.0 billion respectively during the year ended 31 December 2019 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by TZS 451.7 billion each, the Group's and Company's total liabilities exceeded their total assets by TZS 351.3 billion and TZS 351.8 billion respectively. The Group and Company also defaulted on their debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 350.6 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

Key Audit Matters (Continued)

Key Audit Matter	Procedures
<p>1. Passenger revenue recognition in the consolidated and separate financial statements (Refer to Note 4(a) and Note 8(a) to the consolidated and separate financial statements)</p> <p>During the year ended 31 December 2019, the Group and Company each recognised passenger revenue of TZS 124.3 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. As disclosed in Note 8, the Group's and Company's value of unused tickets in relation to passenger revenue at 31 December 2019 was TZS 16.6 billion.</p> <p>The determination of the amount of revenue to be recognised for each flight requires complex information technology (IT) systems and involves the exchange of information with third party aviation industry systems and other airlines for a high volume of transactions.</p> <p>The timing of revenue recognition for expired unused tickets/documents requires judgement due to the timeframe over which revenue documents 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 expiry trends.</p> <p>The accounting for passenger revenue also involves the recording of manual journals in the accounting records. 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 significant audit effort due to manual processes involved.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - 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; - Evaluating the appropriateness of the allocation of the transaction price, including consideration of 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; - Testing existence of revenue transactions during the period by inspecting on a sample basis revenue transaction to the underlying supporting documentation such as passenger manifest reports; - Evaluating the reasonability of management's policy for recognising the expired tickets against the terms and conditions of the tickets sold and historical trends; - 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); - 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 7(ii); - Inspecting manual journals posted to the revenue account to the supporting source documents for validity; - Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 15, <i>Revenue from Contracts with Customers</i>.

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

Report on the Audit of the Consolidated and Separate Financial Statements

Key Audit Matters (Continued)

2. Aircraft impairment in the consolidated and separate financial statements (Note 7(i) and Note 16 to the consolidated and separate financial statements)	
<p>As at 31 December 2019, the Group and Company each had aircraft with a carrying amount of TZS 87.4 billion.</p> <p>Aircraft impairment has been a key audit matter because:</p> <ul style="list-style-type: none"> • Aircraft is the main revenue-generating asset of the Group and Company and it makes up 66.3% of total assets; • Management uses an independent expert for aircraft valuation; and • 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 and cycles, and the economic and market conditions. 	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - Assessing the condition for aircraft and aircraft components through physical verification and inspection of the relevant data such as aircraft utilisation records; - Assess the appropriateness of method used by management in determination of the recoverable amount of aircraft; - Assessing the competency, experience and independence of the expert used by management; - 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; and - 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>.

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 2019* 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

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 Orjala (TACPA 2722)
Dar es Salaam

Date 2 March 2022

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Group 12-month period ended 31 Dec 2019 TZS '000	Group 9-month period ended 31 Dec 2018 TZS '000	Company 12-month period ended 31 Dec 2019 TZS '000	Company 9-month period ended 31 Dec 2018 TZS '000
Revenue	8	124,486,094	97,925,633	124,486,094	97,925,633
Cost of sales	9	(126,923,565)	(86,608,161)	(126,923,565)	(86,608,161)
Gross profit		(2,437,471)	11,317,472	(2,437,471)	11,317,472
Other income	10	382,569	14,826,503	382,569	14,826,503
Marketing expenses	11	(2,145,381)	(1,136,545)	(2,145,381)	(1,136,545)
Administrative expenses	12	(21,777,613)	(15,233,626)	(21,628,068)	(15,084,090)
Impairment loss on aircraft	16	-	(22,386,491)	-	(22,386,491)
Net decrease/(increase) in impairment provisions for trade receivables	21	1,455,333	(5,333,729)	1,455,333	(5,333,729)
Operating loss		(24,522,563)	(17,946,416)	(24,373,018)	(17,796,880)
Finance costs	13	(19,616,476)	(19,133,862)	(19,616,476)	(19,133,862)
Loss before income tax		(44,139,039)	(37,080,278)	(43,989,494)	(36,930,742)
Income tax expense	24(b)	-	-	-	-
Loss for the period		(44,139,039)	(37,080,278)	(43,989,494)	(36,930,742)
Other comprehensive income		-	-	-	-
Total comprehensive loss		(44,139,039)	(37,080,278)	(43,989,494)	(36,930,742)
Loss attributable to:					
Owners of the Company		(44,138,889)	(37,080,128)	-	-
Non-controlling interest	15	(150)	(150)	-	-
		(44,139,039)	(37,080,278)	-	-
Earnings Per Share (TZS)	36	(275.06)	(231.07)	(274.12)	(230.14)

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 2019

	Notes	Group 31 Dec 2019 TZS '000	Group 31 Dec 2018 TZS '000	Company 31 Dec 2019 TZS '000	Company 31 Dec 2018 TZS '000
ASSETS					
Non-current assets					
Property and equipment	16	104,586,629	127,777,691	104,307,183	127,351,094
Intangible assets	17	795,152	786,393	593,780	582,637
		<u>105,381,781</u>	<u>128,564,084</u>	<u>104,900,963</u>	<u>127,933,731</u>
Current assets					
Inventory	20	11,489,782	12,464,891	11,489,782	12,464,891
Trade and other receivables	21	9,795,464	7,579,335	9,795,464	7,579,335
Prepayments	22	203,236	599,194	203,236	599,194
Other financial assets	19	2,050,801	2,403,272	2,050,801	2,403,272
Cash and cash equivalents	23	2,858,254	1,306,236	2,858,254	1,306,236
		<u>26,397,537</u>	<u>24,352,928</u>	<u>26,397,537</u>	<u>24,352,928</u>
TOTAL ASSETS		<u>131,779,318</u>	<u>152,917,012</u>	<u>131,298,500</u>	<u>152,286,659</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 2019 (CONTINUED)

		<u>Group</u> 31 Dec 19 TZS '000	<u>Group</u> 31 Dec 18 TZS '000	<u>Company</u> 31 Dec 19 TZS '000	<u>Company</u> 31 Dec 18 TZS '000
EQUITY AND LIABILITIES	Notes				
Equity					
Share capital	25(a)	3,209,454	3,209,454	3,209,454	3,209,454
Share premium	25(b)	10,490,987	10,490,987	10,490,987	10,490,987
Accumulated losses		(365,049,421)	(320,910,532)	(365,529,681)	(321,540,177)
Non-controlling interest		558	708	-	-
		<u>(351,348,422)</u>	<u>(307,209,383)</u>	<u>(351,829,240)</u>	<u>(307,839,736)</u>
Non-current liabilities					
Lease Liability	29	5,058,704	-	5,058,704	-
Current liabilities					
Borrowings	26	350,607,760	334,175,125	350,607,760	334,175,125
Overdraft	27	1,601,406	5,206,617	1,601,406	5,206,617
Trade and other payables	28	105,451,655	100,597,061	105,451,655	100,597,061
Lease Liability	29	1,145,516	-	1,145,516	-
Sales in advance of carriage	8(c)	16,647,050	18,153,429	16,647,050	18,153,429
Corporate tax payable	24(a)	1,112,019	1,112,019	1,112,019	1,112,019
Other tax payables	24(b)	1,503,630	882,144	1,503,630	882,144
		<u>478,069,036</u>	<u>460,126,395</u>	<u>478,069,036</u>	<u>460,126,395</u>
TOTAL LIABILITIES		<u>483,127,740</u>	<u>460,126,395</u>	<u>483,127,740</u>	<u>460,126,395</u>
TOTAL EQUITY AND LIABILITIES		<u>131,779,318</u>	<u>152,917,012</u>	<u>131,298,500</u>	<u>152,286,659</u>

The consolidated and separate financial statements on page 18 to 66 were approved by the Board of Directors and authorised for issue on 7 February 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 2019

GROUP

	<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 2019	3,209,454	10,490,987	(320,910,532)	708	(307,209,383)
Loss for the period	-	-	(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>
At 1 April 2018	3,209,454	10,490,987	(283,830,404)	858	(270,129,105)
Loss for the year	-	-	(37,080,128)	(150)	(37,080,278)
At 31 December 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(320,910,532)</u>	<u>708</u>	<u>(307,209,383)</u>
<u>COMPANY</u>					
At 1 January 2019	3,209,454	10,490,987	(321,540,177)	-	(307,839,736)
Loss for the period	-	-	(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>
At 1 April 2018	3,209,454	10,490,987	(284,609,435)	-	(270,908,994)
Loss for the year	-	-	(36,930,742)	-	(36,930,742)
At 31 December 2018	<u>3,209,454</u>	<u>10,490,987</u>	<u>(321,540,177)</u>	<u>-</u>	<u>(307,839,736)</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 2019

	Note	Group 12-month period ended 31 Dec 2019 TZS '000	Group 9-month period ended 31 Dec 2018 TZS '000	Company 12-month period ended 31 Dec 2019 TZS '000	Company 9-month period ended 31 Dec 2018 TZS '000
Operating activities					
Loss after tax		(44,139,039)	(37,080,278)	(43,989,494)	(36,930,742)
<i>Adjustments for:</i>					
Depreciation of property and equipment	16	33,347,353	23,797,571	33,200,202	23,650,419
Gain on disposal of property and equipment	10	(23,780)	(18,000)	(23,780)	(18,000)
Amortisation of intangible assets	17	186,249	97,502	183,830	95,118
Interest on borrowings	26	17,619,578	13,957,397	17,619,578	13,957,397
Interest expense on lease	29	588,747	-	588,747	-
Impairment of property and equipment	16	1,147,458	22,386,491	1,147,458	22,386,491
Provision for bad debts	21	(1,455,333)	5,333,729	(1,455,333)	5,333,729
			(11,603,813)		
Release of provisions		-	-	-	(11,603,813)
Net unrealised forex	14	926,630	4,032,838	926,630	4,032,838
Net cash before working capital changes		8,197,863	20,903,437	8,197,838	20,903,437
<i>Changes in Working Capital:</i>					
• Inventories		975,101	(3,346,122)	975,101	(3,346,122)
• Trade and other receivables		(408,324)	(1,285,629)	(408,324)	(1,285,629)
• Prepayments		395,959	(388,796)	395,959	(388,796)
• Sales in advance of carriage		(1,506,377)	(495,322)	(1,506,377)	(495,322)
• Trade and other payables		5,476,084	6,902,348	5,476,084	6,902,348
Cash generated from operations		13,130,306	22,289,916	13,130,281	22,289,916
Income tax paid	24(a)	-	(129,157)	-	(129,157)
Payment of interest on lease liabilities		(588,747)	-	(588,747)	-
Net cash from operating activities		12,541,559	22,160,759	12,541,534	22,160,759
Investing activities					
Acquisition of computer software	17	(194,974)	(152,226)	(194,974)	(152,226)
Proceeds from sale of property and equipment		23,780	18,000	23,780	18,000
Purchase of property and equipment	16	(4,737,468)	(17,858,799)	(4,737,468)	(17,858,799)
Net cash used in investing activities		(4,908,662)	(17,993,025)	(4,908,662)	(17,993,025)
Financing activities					
Repayment of borrowings					
• Interest	26	(118,754)	(1,737,088)	(118,754)	(1,737,088)
• Principal	26	(2,390,210)	(39,828)	(2,390,210)	(39,828)
Repayment of principal portion of lease liabilities		(191,602)	-	(191,602)	-
Overdraft conversion to term loan		402,200	-	402,200	-
Net cash used in financing activities		(2,298,366)	(1,776,916)	(2,298,366)	(1,776,916)
Net increase in cash and cash equivalents		5,334,531	2,390,818	5,334,506	2,390,818
Cash and cash equivalents at start of the year/period		(3,900,381)	(6,220,630)	(3,900,381)	(6,220,630)
Effect of movements in exchange rates on cash held		(177,302)	(70,569)	(177,277)	(70,569)
Cash and cash equivalents at year/period end	23	1,256,848	(3,900,381)	1,256,848	(3,900,381)

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

Report of the Auditor – page 13-17

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2019, be received by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2019, be and are hereby received”.

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2019, be noted by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2019, be and are hereby noted”.



**TO RECEIVE AND CONSIDER FOR NOTING
THE DIRECTORS' REPORT,
ANNUAL ACCOUNTS AND AUDITORS'
REPORT FOR THE PERIOD ENDED
31ST DECEMBER, 2020.**



**AN EXTRACT OF THE DIRECTORS' REPORT,
ANNUAL ACCOUNTS AND AUDITORS'
REPORT FOR THE PERIOD
ENDED 31ST DECEMBER 2020.**

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
	160,472,720	100.00	3,209,454	160,472,720	100.00	3,209,454

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%		
	160,472,720	100.00%		

* 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 th BOD meeting	91 st BOD meeting	92 nd BOD Meeting	48 th BAC meeting	49 th BAC meeting	50 th 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

Title: Chairperson

Signature: 

Name: Avelyne Msaki

Title: Director

Signature: 

PRECISION AIR SERVICES PLC

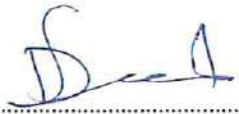
**DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2020**

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: ⁵..... September 2022



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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>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)</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"> - 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; - 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; - 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. - 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; - 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); - 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); - 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; - Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 15, <i>Revenue from Contracts with Customers</i>.

**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"> • 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. 	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> - Assessing the condition of aircraft and aircraft components through physical verification and inspection of the relevant data such as aircraft utilisation records; - 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.; - Assessing the competency, experience and independence of the expert used by management in the valuation of aircraft; - 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 - 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>.

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)
Gross loss		(15,571,930)	(2,437,471)	(15,571,930)	(2,437,471)
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
Operating loss		(29,108,004)	(24,522,563)	(28,958,474)	(24,373,018)
Finance costs	12	(15,978,969)	(19,616,476)	(15,978,969)	(19,616,476)
Loss before income tax		(45,086,973)	(44,139,039)	(44,937,443)	(43,989,494)
Income tax expense	23(c)	-	-	-	-
Loss for the year		(45,086,973)	(44,139,039)	(44,937,443)	(43,989,494)
Other comprehensive income		-	-	-	-
Total comprehensive loss		(45,086,973)	(44,139,039)	(44,937,443)	(43,989,494)
Loss attributable to:					
Owners of the Company		(45,086,823)	(44,138,889)	-	-
Non-controlling interest	14	(150)	(150)	-	-
		(45,086,973)	(44,139,039)	-	-
Earnings Per Share (TZS)	34	(280.96)	(275.06)	(280.03)	(274.12)

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

		Group <u>31 Dec 2020</u>	Group <u>31 Dec 2019</u>	Company <u>31 Dec 2020</u>	Company <u>31 Dec 2019</u>
	Notes	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Non-current assets					
Property and equipment	15	79,406,202	104,586,629	79,273,908	104,307,183
Intangible assets	16	<u>683,828</u>	<u>795,152</u>	<u>484,834</u>	<u>593,780</u>
		<u>80,090,030</u>	<u>105,381,781</u>	<u>79,758,742</u>	<u>104,900,963</u>
Current assets					
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	<u>2,651,843</u>	<u>2,858,254</u>	<u>2,651,843</u>	<u>2,858,254</u>
		<u>19,691,627</u>	<u>26,397,537</u>	<u>19,691,627</u>	<u>26,397,537</u>
TOTAL ASSETS		<u><u>99,781,657</u></u>	<u><u>131,779,318</u></u>	<u><u>99,450,369</u></u>	<u><u>131,298,500</u></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)

		<u>Group</u> 31 Dec 2020	<u>Group</u> 31 Dec 2019	<u>Company</u> 31 Dec 2020	<u>Company</u> 31 Dec 2019
	Notes	TZS '000	TZS '000	TZS '000	TZS '000
EQUITY AND LIABILITIES					
Equity					
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>
Non-current liabilities					
Lease Liability	28(a)(ii)	4,676,244	5,058,704	4,676,244	5,058,704
Current liabilities					
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>
TOTAL LIABILITIES		<u>496,217,051</u>	<u>483,127,740</u>	<u>496,217,051</u>	<u>483,127,740</u>
TOTAL EQUITY AND LIABILITIES		<u>99,781,657</u>	<u>131,779,318</u>	<u>99,450,369</u>	<u>131,298,500</u>

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 TZS '000</u>	<u>Share premium TZS '000</u>	<u>Accumulated losses TZS '000</u>	<u>Non-controlling interest TZS '000</u>	<u>Total equity TZS '000</u>
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
Operating activities					
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
Net cash before working capital changes		406,679	8,197,828	401,673	8,197,838
<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
Cash generated from operations		6,751,177	13,130,271	6,746,171	13,130,281
Income tax paid	23(a)	-	-	-	-
Net cash from operating activities		6,751,177	13,130,271	6,746,171	13,130,281
Investing activities					
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
Net cash used in investing activities		(3,878,262)	(4,908,661)	(3,878,256)	(4,908,661)
Financing activities					
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
Net cash used in financing activities		(1,768,181)	(2,887,113)	(1,768,181)	(2,887,113)
Net increase in cash and cash equivalents		1,104,734	5,334,497	1,099,734	5,334,507
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)
Cash and cash equivalents at year/period end	22	2,236,068	1,256,848	2,236,068	1,256,848

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

Report of the Auditor – page 13-17

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2020, be received by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2020, be and are hereby received”.

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2020, be noted by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2020, be and are hereby noted”.



**TO RECEIVE AND CONSIDER FOR NOTING THE
DIRECTORS' REPORT, ANNUAL ACCOUNTS AND
AUDITORS' REPORT FOR THE
PERIOD ENDED 31ST DECEMBER, 2021**



**TO RECEIVE AND CONSIDER FOR NOTING
THE DIRECTORS' REPORT, ANNUAL
ACCOUNTS AND AUDITORS' REPORT FOR
THE PERIOD ENDED 31ST DECEMBER, 2021.**

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

1 INTRODUCTION

The Directors present their annual report together with the consolidated and separate audited financial statements for the year ended 31 December 2021 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 2021 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 of 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 flew to thirteen (13) destinations (2020: 13) within (domestic destinations) and outside Tanzania (regional destinations). Domestic destinations include Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Dodoma, Tabora, Seronera - Serengeti, Kahama, Mbeya and Zanzibar. Regional destinations include Nairobi and Hahaya (Comoros).

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 265 million (2020: 248 million) which is an increase of approximately 7% from prior year.

Capacity utilized

Total passengers carried in the network during the financial year was 285,196 compared to a prior-year level of 245,875 thus an increase of 16% compared to the prior year. An increase is because of the decrease in the impact of Covid 19 pandemic which resulted into an increase in operation as compared to the year ended 31 December 2020. There was a change in terms of frequencies offered and routes operated for the year ended 31 December 2021 compared to the period ended 31 December 2020, however, the changes were not significant.

The Revenue Passenger Kilometre (RPK) achieved from the market was 138 million (2020: 122 million) which is an increase of 13% compared to the prior year.

Yields

Yield per RPK achieved during the year was 17.07 US Cents (USc) (2020: USc 15.03).

Profitability

During the year the Group recorded a loss of TZS 43.3 billion (2020: loss of TZS 45.1 billion), whereas the Company recorded a loss of TZS 43.2 billion (2020: loss of TZS 44.9 billion). Detailed financial results of the Group and Company for the year are set out on page 16.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

7 FUTURE DEVELOPMENTS AND PLANS

The Group will continue to focus on improving profitability and liquidity to ensure the airline remain 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 2020: TZS 470 per share).

9 DIVIDENDS

The Directors do not recommend payment of dividend (31 December 2020: Nil).

10 SOLVENCY AND GOING CONCERN EVALUATION

The Group and Company's state of affairs is set out on pages 17 and 18 of the financial statements.

The Group incurred a net loss of TZS 43.3 billion during the year ended 31 December 2021 (2020: loss of TZS 45.1 billion) and as of that date, the Group's current liabilities exceeded its current assets by TZS 496.1 billion (2020: TZS 471.8 billion). The Group was also in a shareholders' deficit position of TZS 439.7 billion as of that date (2020: TZS 396.4 billion).

Furthermore, during the year ended 31 December 2021, the Company incurred a net loss of TZS 43.2 billion (2020: loss of TZS 44.9 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 496.1 billion (2020: TZS 471.8 billion). The Company was also in a shareholders' deficit position of TZS 439.9 billion as at that date (2020: TZS 396.8 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 2021 (CONTINUED)

10 SOLVENCY AND GOING CONCERN EVALUATION (CONTINUED)

Additionally, on 6th November 2022 one of our Finance leased aircrafts was involved on a fatal accident at the Bukoba Airport. The aircraft was damaged beyond repair. This has significantly impacted our operations.

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 2020: 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 2020: 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 381.6 billion as of year-end (2020: TZS 365.1 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 2021			31 December 2020		
	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
	160,472,720	100.00	3,209,454	160,472,720	100.00	3,209,454

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

13 SHAREHOLDING (CONTINUED)

The distribution of shareholders as of 31 December 2021 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%		
	160,472,720	100.00%		

* 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 (2020: 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/Deceased</u>
Mr. Michael N. Shirima*	Tanzanian	Chairman	81	16 January 1991	9 June 2023
Mr. Avelyne Msaki	Tanzanian	Director	49	29 August 2016	N/A
Ms. Hellen Muthoni Mathuka	Kenyan	Director	50	20 March 2018	N/A
Mr. Abdulrahman Omar Kinana	Tanzanian	Director	73	18 April 2018	11 February 2023
Mr. Julius Ngunu Thairu	Kenyan	Director	48	1 September 2018	26 August 2021
Mr. Evans Ndorosey	Tanzanian	Director	74	19 December 2019	N/A
Mr. Allan Kilavuka Inuani	Kenyan	Director/Interim Chairperson	52	27 February 2020	N/A
Mr. Dickson Murianki	Kenyan	Director	55	26 August 2021	N/A
Mr. Vincent N. Shirima	Tanzanian	Director	49	25 January 2024	N/A
Mr. Harry M. Kitilya	Tanzanian	Director	74	25 January 2024	N/A

* Mr. Michael N. Shirima passed away on 9 June 2023.

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>2021</u>	<u>31 December</u> <u>2020</u>
	<u>TZS '000'</u>	<u>TZS '000'</u>
Chairman of the board	6,297	6,254
Other Directors	43,291	34,398

Other fees paid during the year to the Directors':

Chairman of the board	394,143	391,589
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PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021 (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:

Name	Position
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 (End of contract: January 2023)
Mr. Oscar Goodluck	Ag. Head of Human Resource and Administration (January 2023 to July 2023)
Mr. Bruno Daniel Mndeme	Head of Human Resource and Administration (Appointed July 2023)
Mr. Peter Fiwa	Head of Flight Operations (End of contract: August 2023)
Capt. Specioza Rweyemamu	Head of Flight Operations (Appointed in August 2023)
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
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 (IFRS).

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 2021 (2020: Nil). Acquisitions and disposals of properties and equipment are disclosed on Note 15 of the financial statements.

22 POLITICAL AND CHARITABLE DONATIONS

There was no contribution to community projects and other charitable organizations during the year (2020: TZS 2.7 million). No political donations were made during the year (2020: Nil).

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021 (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 required working environment.

The number of employees in the Group at the end of the year totalled 369 (2020: 383 employees). 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 2021, the Group had 238 male and 138 female employees (31 December 2020: 233 male and 150 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 2021 (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 eight (8) 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 on 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 invitations.

The Board met three (8) times during the year ended 31 December 2021 and the audit committee met three times.

Name	93 rd BOD meeting	94 th BOD meeting	95 th BOD Meeting	Extra Ordinary BOD Meeting	96 th BOD Meeting	51 st BAC meeting	52 nd BAC meeting	53 rd BAC meeting	54 th BAC meeting
1 Mr Michael Shirima*	√	√	√	√	√	*	*	*	*
2 Mr Allan Kilavuka Inuani	√	√	√	√	√	*	*	*	*
3 Mr. Avelyne Msaki	√	√	√	√	√	√	√	√	√
4 Ms. Hellen Muthoni Mathuka	√	√	√	√	√	√	√	√	√
5 Mr. Abdulrahman Omar Kinana	√	X	√	X	√	X	√	√	√
6 Mr. Evans Ndorosey	√	√	√	√	√	*	*	*	*
7 Mr. Julius Ngunu Thairu	√	√	√	√	*	*	*	*	*
8 Mr. Dickson Murianki	*	*	*	*	√	*	*	*	*

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

* Mr. Michael N. Shirima passed away on 9 June 2023.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

26 CORPORATE GOVERNANCE (CONTINUED)

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.

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 2021 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 (2020: None).

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.

PRECISION AIR SERVICES PLC

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

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 2022 will be put to the Annual General Meeting.

BY THE ORDER OF THE BOARD

Name: Allan Kilavuka

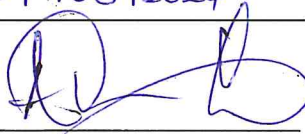
Name: Avelyne Msaki

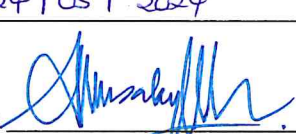
Title: Interim Chairperson

Title: Director

Date: 24/05/2024

Date: 24/05/2024

Signature: 

Signature: 

PRECISION AIR SERVICES PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, 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 24/05/2024 2024.

Name: Allan Kilavuka

Title: Interim Chairperson

Signature: _____

Name: Avelyne Msaki

Title: Director

Signature: _____

PRECISION AIR SERVICES PLC

DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2021

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 12.

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 2021 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: ²⁴..... May 2024

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC

Report on the Audit of the Consolidated and Company Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Precision Air Services Plc ('the Group and Company') ('the Group and Company') set out on pages 16 to 65 which comprise the group and company statements of financial position as at 31 December 2021, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policies.

We do not express an opinion on the accompanying consolidated and separate financial statements of the Group and Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for Disclaimer of Opinion

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 2021 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. These events or conditions, along with other matters as set forth in Note 3(c), indicate that uncertainties exist that cast significant doubt on the Group's and Company's ability to continue as a going concern. The consolidated and separate financial statements do not include any adjustments that may be necessary as a result of these uncertainties.

As disclosed in Note 3(c) to the consolidated and separate financial statements, it is the intention of Precision Air Services Plc to continue to operate the Company. However, this is dependent on the Group and Company successfully negotiating with its main lenders and other creditors to restructure loans and other liabilities. The restructuring measures include among others extension of repayment periods for maturing loans; waiving of penalties and accrued interests. We were unable to obtain sufficient appropriate audit evidence regarding the Directors' plans for future actions, and whether these plans are feasible and likely to be successful. Consequently, we were unable to determine whether or not it is appropriate to prepare the consolidated and separate financial statements using the going concern basis of accounting.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 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 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)**

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

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.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we are unable report to you, solely based on our audit of the consolidated and separate financial statements, 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;
- Directors' 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: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam

Date: 24 May 2024.

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Group 31 Dec 2021 TZS '000	Group 31 Dec 2020 TZS '000	Company 31 Dec 2021 TZS '000	Company 31 Dec 2020 TZS '000
Revenue	7	71,152,646	56,877,720	71,152,646	56,877,720
Cost of sales	8	<u>(77,476,203)</u>	<u>(72,449,650)</u>	<u>(77,476,203)</u>	<u>(72,449,650)</u>
Gross loss		(6,323,557)	(15,571,930)	(6,323,557)	(15,571,930)
Other income	9	538,681	603,982	538,681	603,982
Marketing expenses	10	(1,107,188)	(1,113,098)	(1,107,188)	(1,113,098)
Administrative expenses	11	(18,131,600)	(12,980,465)	(17,982,055)	(12,830,935)
Net (increase)/decrease in impairment provisions for trade receivables	20	<u>(51,681)</u>	<u>(46,493)</u>	<u>(51,681)</u>	<u>(46,493)</u>
Operating loss		(25,075,345)	(29,108,004)	(24,925,800)	(28,958,474)
Finance costs	12	<u>(18,236,321)</u>	<u>(15,978,969)</u>	<u>(18,236,321)</u>	<u>(15,978,969)</u>
Loss before income tax		(43,311,666)	(45,086,973)	(43,162,121)	(44,937,443)
Income tax expense	23(c)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the year		(43,311,666)	(45,086,973)	(43,162,121)	(44,937,443)
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss and total comprehensive loss		(43,311,666)	(45,086,973)	(43,162,121)	(44,937,443)
Loss attributable to:					
Owners of the Company		(43,311,516)	(45,086,823)	-	-
Non-controlling interest	14	<u>(150)</u>	<u>(150)</u>	<u>-</u>	<u>-</u>
		(43,311,666)	(45,086,973)	-	-
Earnings Per Share (TZS)	34	(269.90)	(280.03)	-	-

The notes on pages 21 to 65 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 14-15

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	Group 31 Dec 2021 TZS '000	Group 31 Dec 2020 TZS '000	Company 31 Dec 2021 TZS '000	Company 31 Dec 2020 TZS '000
ASSETS					
Non-current assets					
Property and equipment	15	59,064,871	79,406,202	59,064,871	79,273,908
Intangible assets	16	<u>764,412</u>	<u>683,828</u>	<u>582,673</u>	<u>484,834</u>
		<u>59,829,283</u>	<u>80,090,030</u>	<u>59,647,544</u>	<u>79,758,742</u>
Current assets					
Other financial assets	18	3,683,125	2,800,730	3,683,125	2,800,730
Inventory	19	8,710,541	11,430,905	8,710,541	11,430,905
Trade and other receivables	20	4,278,631	2,545,163	4,278,631	2,545,163
Prepayments	21	259,427	262,986	259,427	262,986
Cash and cash equivalents	22	<u>1,242,277</u>	<u>2,651,843</u>	<u>1,242,277</u>	<u>2,651,843</u>
		<u>18,174,001</u>	<u>19,691,627</u>	<u>18,174,001</u>	<u>19,691,627</u>
TOTAL ASSETS		<u><u>78,003,284</u></u>	<u><u>99,781,657</u></u>	<u><u>77,821,545</u></u>	<u><u>99,450,369</u></u>

The notes on pages 21 to 65 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 14-15

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)

	Notes	Group	Group	Company	Company
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
		TZS '000	TZS '000	TZS '000	TZS '000
EQUITY AND LIABILITIES					
Equity					
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		(453,447,760)	(410,136,244)	(453,629,241)	(410,467,124)
Non-controlling interest	14	258	408	-	-
		<u>(439,747,061)</u>	<u>(396,435,395)</u>	<u>(439,928,800)</u>	<u>(396,766,683)</u>
Non-current liabilities					
Lease Liability	28(a)(ii)	3,815,040	4,676,245	3,815,040	4,676,245
Current liabilities					
Borrowings	25	381,562,013	365,069,758	381,562,013	365,069,758
Overdraft	26	1,203,740	415,775	1,203,740	415,775
Trade and other payables	27	115,282,776	106,753,706	115,282,776	106,753,706
Lease Liability	28(a)(ii)	1,219,885	1,542,418	1,219,885	1,542,418
Sales in advance of carriage	7(c)	11,616,507	14,859,153	11,616,507	14,859,153
Corporate tax payable	23(a)	1,112,019	1,112,019	1,112,019	1,112,019
Other tax payables	23(b)	1,938,365	1,787,978	1,938,365	1,787,978
		<u>513,935,305</u>	<u>491,540,807</u>	<u>513,935,305</u>	<u>491,540,807</u>
TOTAL LIABILITIES		<u>517,750,345</u>	<u>496,217,052</u>	<u>517,750,345</u>	<u>496,217,052</u>
TOTAL EQUITY AND LIABILITIES		<u>78,003,284</u>	<u>99,781,657</u>	<u>77,821,545</u>	<u>99,450,369</u>

The consolidated and separate financial statements on page 16 to 65 were approved by the Board of Directors and authorised for issue on 24/05/2024 and were signed by:

Name: Allan Kilavuka

Title: Interim Chairperson

Signature: 

Name: Avelyne Msaki

Title: Director

Signature: 

The notes on pages 21 to 65 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 14 -15

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

GROUP

	<u>Issued capital TZS '000</u>	<u>Share premium TZS '000</u>	<u>Accumulated losses TZS '000</u>	<u>Non-controlling interest TZS '000</u>	<u>Total equity TZS '000</u>
At 1 January 2021	3,209,454	10,490,987	(410,136,244)	408	(396,435,395)
Loss and total comprehensive loss	-	-	(43,311,516)	(150)	(43,311,666)
At 31 December 2021	<u>3,209,454</u>	<u>10,490,987</u>	<u>(453,447,760)</u>	<u>258</u>	<u>(439,747,061)</u>
At 1 January 2020	3,209,454	10,490,987	(365,049,421)	558	(351,348,422)
Loss and total comprehensive loss	-	-	(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>

COMPANY

At 1 January 2021	3,209,454	10,490,987	(410,467,124)	-	(396,766,683)
Loss and total comprehensive loss	-	-	(43,162,121)	-	(43,162,121)
At 31 December 2021	<u>3,209,454</u>	<u>10,490,987</u>	<u>(453,629,245)</u>		<u>(439,928,804)</u>
At 1 January 2020	3,209,454	10,490,987	(365,529,681)	-	(351,829,240)
Loss and total comprehensive loss	-	-	(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>(396,766,683)</u>

The notes on pages 21 to 65 form part of these consolidated and separate financial statements

Report of the Auditor – page 14 - 15

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group	Group	Company	Company
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	Note		TZS '000	TZS '000	TZS '000
Operating activities					
Loss after tax		(43,311,666)	(45,086,973)	(43,162,121)	(44,937,443)
<i>Adjustments for:</i>					
Gain on disposal of property and equipment	9	(16,500)	(8,000)	(16,500)	(8,000)
Net unrealised forex	13	23,168	1,614,880	23,168	1,614,880
Write-off of aircraft components	15	1,349,234	-	1,349,234	-
Depreciation of property and equipment	15	25,809,556	28,966,789	25,677,262	28,814,637
Amortisation of intangible assets	16	115,507	211,224	98,266	208,840
Provision for bad debts	20	51,681	46,493	51,681	46,493
Interest on borrowings	25	16,830,883	14,089,728	16,830,883	14,089,728
Interest expense on lease	28	493,086	572,538	493,086	572,538
Net cash before working capital changes		1,344,949	406,679	1,344,959	401,673
<i>Changes in Working Capital:</i>					
• Inventories		2,720,364	58,877	2,720,364	58,877
• Trade and other receivables		(2,667,544)	6,338,640	(2,667,544)	6,338,640
• Prepayments		3,559	148,475	3,559	148,475
• Sales in advance of carriage		(3,242,643)	(1,787,894)	(3,242,643)	(1,787,894)
• Trade and other payables		8,679,457	1,586,400	8,679,457	1,586,400
Cash generated from operations		6,838,142	6,751,177	6,838,152	6,746,171
Income tax paid	23(b)	-	-	-	-
Net cash from operating activities		6,838,142	6,751,177	6,838,152	6,746,171
Investing activities					
Purchase of property and equipment	15	(7,012,253)	(3,786,362)	(7,012,253)	(3,786,362)
Acquisition of computer software	16	(196,110)	(99,900)	(196,105)	(99,894)
Proceeds from sale of property and equipment		16,500	8,000	16,500	8,000
Net cash used in investing activities		(7,191,863)	(3,878,262)	(7,191,858)	(3,878,256)
Financing activities					
Repayment of borrowings					
• Interest	25	(20,834)	(67,008)	(20,834)	(67,008)
• Principal	25	(222,639)	(1,536,752)	(222,639)	(1,536,752)
Repayment of principal portion of lease liabilities	28(ii)	(822,020)	(22,021)	(822,020)	(22,021)
Payment of interest on lease liabilities	28(ii)	(493,086)	(572,538)	(493,086)	(572,538)
Overdraft conversion to term loan		-	430,138	-	430,138
Net cash used in financing activities		(1,558,579)	(1,768,181)	(1,558,579)	(1,768,181)
Net increase in cash and cash equivalents		(1,912,300)	1,104,734	(1,912,285)	1,099,734
Cash and cash equivalents at start of the year		2,236,068	1,256,848	2,236,068	1,256,848
Effect of movements in exchange rates on cash held		(285,231)	(125,514)	(285,246)	(120,514)
Cash and cash equivalents at year/period end	22	38,537	2,236,068	38,537	2,236,068

The notes on pages 21 to 65 form part of these consolidated and separate financial statements.

Report of the Auditor – page 14-15

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2021, be received by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2021, be and are hereby received”.

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2021, be noted by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2021, be and are hereby noted”.



**TO RECEIVE AND CONSIDER FOR NOTING
THE DIRECTORS' REPORT, ANNUAL
ACCOUNTS AND AUDITORS' REPORT FOR
THE PERIOD ENDED 31ST DECEMBER, 2022.**



**AN EXTRACT OF THE DIRECTORS' REPORT,
ANNUAL ACCOUNTS AND
AUDITORS' REPORT FOR THE PERIOD
ENDED 31ST DECEMBER 2022.**

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

1 INTRODUCTION

The Directors present their annual report together with the consolidated and separate audited financial statements for the year ended 31 December 2022 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 2022 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 of 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 flew to thirteen (13) destinations (2021: 13) within (domestic destinations) and outside Tanzania (regional destinations). Domestic destinations include Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Dodoma, Tabora, Seronera - Serengeti, Kahama, Mbeya and Zanzibar. Regional destinations include Nairobi and Hahaya (Comoros).

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 333 million (2021: 265 million) which is an increase of approximately 7% from prior year.

Capacity utilized

Total passengers carried in the network during the financial year was 479,658 compared to a prior-year level of 285,196 thus an increase of 68% compared to the prior year. An increase is because of the decrease in the impact of Covid 19 pandemic which resulted into an increase in operation as compared to the year ended 31 December 2021. There was a change in terms of frequencies offered and routes operated for the year ended 31 December 2022 compared to the period ended 31 December 2021, however, the changes were not significant.

The Revenue Passenger Kilometre (RPK) achieved from the market was 215 million (2021: 138 million) which is an increase of 56% compared to the prior year.

Yields

Yield per RPK achieved during the year was 18.92 US Cents (USc) (2021: USc 17.07).

Profitability

During the year the Group recorded a profit of TZS 5.9 billion (2021: loss of TZS 43.3 billion), whereas the Company recorded a profit of TZS 6 billion (2021: loss of TZS 43.2 billion). Detailed financial results of the Group and Company for the year are set out on page 19.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

7 FUTURE DEVELOPMENTS AND PLANS

The Group will continue to focus on improving profitability and liquidity to ensure the airline remain 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 400 per share (31 Dec 2021: TZS 400 per share).

9 DIVIDENDS

The Directors do not recommend payment of dividend (31 December 2021: Nil).

10 SOLVENCY AND GOING CONCERN EVALUATION

The Group and Company's state of affairs is set out on pages 20 and 21 of the financial statements.

The Group recorded a net profit of TZS 5.9 billion during the year ended 31 December 2022 (2021: loss of TZS 43.3 billion) and as of that date, the Group's current liabilities exceeded its current assets by TZS 485.9 billion (2021: TZS 496.1 billion). The Group was also in a shareholders' deficit position of TZS 433.8 billion as of that date (2021: TZS 439.7 billion).

Furthermore, during the year ended 31 December 2021, the Company recorded a net profit of TZS 6 billion (2021: loss of TZS 43.2 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 485.9 billion (2021: TZS 496 billion). The Company was also in a shareholders' deficit position of TZS 433.8 billion as at that date (2021: TZS 439.7 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 2022 (CONTINUED)

10 SOLVENCY AND GOING CONCERN EVALUATION (CONTINUED)

Additionally, on 6th November 2022 one of our Finance leased aircrafts was involved on a fatal accident at the Bukoba Airport. The aircraft was damaged beyond repair. This has significantly impacted our operations.

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 2021: 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 2021: 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 398 billion as of year-end (2021: TZS 381.6 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 2022			31 December 2021		
	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
	160,472,720	100.00	3,209,454	160,472,720	100.00	3,209,454

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

13 SHAREHOLDING (CONTINUED)

The distribution of shareholders as of 31 December 2022 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%		
	160,472,720	100.00%		

* 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 (2021: 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/Deceased</u>
Mr. Michael N. Shirima	Tanzanian	Chairman	81	16 January 1991	9 June 2023
Mr. Avelyne Msaki	Tanzanian	Director	49	29 August 2016	N/A
Ms. Hellen Muthoni Mathuka	Kenyan	Director	50	20 March 2018	N/A
Mr. Abdulrahman Omar Kinana	Tanzanian	Director	73	18 April 2018	11 February 2023
Mr. Evans Ndorosey	Tanzanian	Director	74	19 December 2019	N/A
Mr. Allan Kilavuka Inuani	Kenyan	Director	52	27 February 2020	N/A
Mr. Dickson Murianki	Kenyan	Director	55	26 August 2021	N/A
Mr. Vincent N. Shirima	Tanzanian	Director	49	25 January 2024	N/A
Mr. Harry M. Kitilya	Tanzanian	Director	74	25 January 2024	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>2022</u> TZS '000'	<u>31 December</u> <u>2021</u> TZS '000'
Chairman of the board	3,754	6,297
Other Directors	21,393	43,291
<u>Other fees paid during the year to the Directors':</u>		
Chairman of the board	361,510	394,143

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022 (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 (End of contract: January 2023)
Mr. Oscar Goodluck	Ag. Head of Human Resource and Administration (January 2023 to July 2023)
Mr. Bruno Daniel Mndeme	Head of Human Resource and Administration (Appointed July 2023)
Mr. Peter Fiwa	Head of Flight Operations (End of contract: August 2023)
Capt. Specioza Rweyemamu	Head of Flight Operations (Appointed in August 2023)
Mr. Pablo Alves	Head of Maintenance and Engineering
Mr. Khalid Kaude	Head Quality, Safety and Security
Ms. Wendy Benedict	Chief Internal Auditor
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 (IFRS).

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 2022 (2021: Nil). Acquisitions and disposals of properties and equipment are disclosed on Note 15 of the financial statements.

22 POLITICAL AND CHARITABLE DONATIONS

There was no contribution to community projects and other charitable organizations during the year (2021: Nil). No political donations were made during the year (2021: Nil).

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022 (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 required working environment.

The number of employees in the Group at the end of the year totalled 393 (2021: 369 employees). 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 2022, the Group had 253 male and 140 female employees (31 December 2021: 238 male and 138 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 2022 (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 eight (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 on 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 invitations.

The Board met three (3) times during the year ended 31 December 2022 and the audit committee met four (4) times.

Name	97 th BOD meeting	98 th BOD meeting	99 th BOD Meeting	55 th BAC meeting	56 th BAC meeting	57 th BAC meeting	58 th BAC meeting
1 Mr Michael Shirima	√	√	√	*	*	*	*
2 Mr Allan Kilavuka Inuani	√	√	X	*	*	*	*
3 Mr. Avelyne Msaki	√	√	√	√	√	√	√
4 Ms. Hellen Muthoni Mathuka	√	√	√	√	√	√	√
5 Mr. Abdulrahman Omar Kinana	X	X	√	√	X	X	X
6 Mr. Evans Ndorosey	√	√	√	*	*	*	*
7 Mr. Dickson Murianki	X	√	*	X	X	X	√

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.

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.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

26 CORPORATE GOVERNANCE (CONTINUED)

Directors' emoluments and loans

The emoluments paid to Directors for services rendered during the year ended 31 December 2022 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 (2021: None).

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 2023 will be put to the Annual General Meeting.

BY THE ORDER OF THE BOARD

Name: Allan Kilavuka

Name: Avelyne Msaki

Title: Chairperson

Title: Director

Signature: 

Signature: 

Date: 21/08/2024

Date: 21/08/2024

PRECISION AIR SERVICES PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, 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, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 21/08/2024 2024.

Name: Allan Kilavuka

Title: Chairperson

Signature: _____



Name: Avelyne Msaki

Title: Director

Signature: _____



PRECISION AIR SERVICES PLC

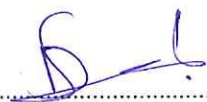
DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 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: 21/10/2024



KPMG
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Internet www.kpmg.com/eastafrika

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PRECISION AIR SERVICES PLC

Report on the Audit of the Consolidated and Company Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Precision Air Services Plc ('the Group and Company') ('the Group and Company') set out on pages 15 to 63 which comprise the group and company statements of financial position as at 31 December 2022, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company 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.

We do not express an opinion on the accompanying consolidated and separate financial statements of the Group and Company. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for Disclaimer of Opinion

We draw attention to Note 3(c) of the consolidated and separate financial statements which indicate that the Group and Company incurred a net profit of TZS 16.9 billion and TZS 17.1 billion respectively during the year ended 31 December 2022 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by TZS 474.9 billion and TZS 474.9 billion respectively while their total liabilities exceeded their total assets by TZS 442.9 billion and TZS 442.9 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 398 billion being due on demand. These events or conditions, along with other matters as set forth in Note 3(c), indicate that uncertainties exist that cast significant doubt on the Group's and Company's ability to continue as a going concern. The consolidated and separate financial statements do not include any adjustments that may be necessary as a result of these uncertainties.

As disclosed in Note 3(c) to the consolidated and separate financial statements, it is the intention of Precision Air Services Plc to continue to operate the Company. However, this is dependent on the Group and Company successfully negotiating with its main lenders and other creditors to restructure loans and other liabilities. The restructuring measures include among others, extension of repayment periods for maturing loans and waiving of penalties and accrued interests. We were unable to obtain sufficient appropriate audit evidence regarding the Directors' future plans, their feasibility and likelihood of success. Consequently, we were unable to determine whether or not it is appropriate to prepare the consolidated and separate financial statements using the going concern basis of accounting.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

KPMG is a registered partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Partners

A Boyo
A Njombe
V Onjala



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

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

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.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002, due to matters reported under basis of disclaimer of opinion paragraph, we are unable report to you, solely based on our audit of the consolidated and separate financial statements, that:

- in our opinion, proper accounting records have been kept by Precision Air Services Pie.
- 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.
- Directors' 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 22/08/2024

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Group 31 Dec 2022 TZS '000	Group 31 Dec 2021 TZS '000	Company 31 Dec 2022 TZS '000	Company 31 Dec 2021 TZS '000
Revenue	7	117,667,008	71,152,646	117,667,008	71,152,646
Cost of sales	8	<u>(111,714,826)</u>	<u>(77,476,203)</u>	<u>(111,714,826)</u>	<u>(77,476,203)</u>
Gross profit/(loss)		5,952,182	(6,323,557)	5,952,182	(6,323,557)
Other income	9	1,752,890	538,681	1,752,890	538,681
Marketing expenses	10	(1,610,787)	(1,107,188)	(1,610,787)	(1,107,188)
Administrative expenses	11	(2,187,662)	(18,183,281)	(2,006,178)	(18,033,736)
Reversal of impairment loss	15	<u>21,729,103</u>	-	<u>21,729,103</u>	-
Operating profit/ (loss)		25,635,726	(25,075,345)	25,817,210	(24,925,800)
Finance costs	12	<u>(19,721,208)</u>	<u>(18,236,321)</u>	<u>(19,721,208)</u>	<u>(18,236,321)</u>
Profit/(loss) before income tax		5,914,518	(43,311,666)	6,096,002	(43,162,121)
Income tax expense	23(c)	-	-	-	-
Profit/(loss) for the year		5,914,518	(43,311,666)	6,096,002	(43,162,121)
Other comprehensive income		-	-	-	-
Total comprehensive profit/(loss)		5,914,518	(43,311,666)	6,096,002	(43,162,121)
Loss attributable to:					
Owners of the Company		5,916,333	(43,311,516)	-	-
Non-controlling interest	14	<u>(1,815)</u>	<u>(150)</u>	-	-
		5,914,518	(43,311,666)	-	-
Earnings Per Share (TZS)	34	36.86	(269.90)	37.99	(268.97)

The notes on pages 20 to 63 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 13-14

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	Group 31 Dec 2022 TZS '000	Group 31 Dec 2021 TZS '000	Company 31 Dec 2022 TZS '000	Company 31 Dec 2021 TZS '000
ASSETS					
Non-current assets					
Property and equipment	15	54,439,610	59,064,871	54,439,610	59,064,871
Intangible assets	16	<u>262,323</u>	<u>764,412</u>	<u>262,049</u>	<u>582,673</u>
		<u>54,701,933</u>	<u>59,829,283</u>	<u>54,701,659</u>	<u>59,647,544</u>
Current assets					
Inventory	19	10,307,520	8,710,541	10,307,520	8,710,541
Other financial assets	18	1,442,577	3,683,125	1,442,577	3,683,125
Trade and other receivables	20	18,570,043	4,278,631	18,570,043	4,278,631
Prepayments	21	970,570	259,427	970,570	259,427
Cash and cash equivalents	22	<u>8,695,082</u>	<u>1,242,277</u>	<u>8,695,082</u>	<u>1,242,277</u>
		<u>39,985,792</u>	<u>18,174,001</u>	<u>39,985,792</u>	<u>18,174,001</u>
TOTAL ASSETS		<u><u>94,687,725</u></u>	<u><u>78,003,284</u></u>	<u><u>94,687,451</u></u>	<u><u>77,821,545</u></u>

The notes on pages 20 to 63 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 13-14

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 (CONTINUED)

	Notes	<u>Group</u> 31 Dec 2022 TZS '000	<u>Group</u> 31 Dec 2021 TZS '000	<u>Company</u> 31 Dec 2022 TZS '000	<u>Company</u> 31 Dec 2021 TZS '000
EQUITY AND LIABILITIES					
Equity					
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		(447,563,641)	(453,447,760)	(447,565,472)	(453,629,241)
Non-controlling interest	14	(1557)	258	-	-
		<u>(433,864,757)</u>	<u>(439,747,061)</u>	<u>(433,865,031)</u>	<u>(439,928,800)</u>
Non-current liabilities					
Lease Liability	28(a)(ii)	2,566,947	3,815,040	2,566,947	3,815,040
Current liabilities					
Borrowings	25	398,013,680	381,562,013	398,013,680	381,562,013
Overdraft	26	879,543	1,203,740	879,543	1,203,740
Trade and other payables	27	108,359,726	115,282,776	108,359,726	115,282,776
Lease Liability	28(a)(ii)	835,897	1,219,885	835,897	1,219,885
Sales in advance of carriage	7(c)	14,977,262	11,616,507	14,977,262	11,616,507
Corporate tax payable	23(a)	1,112,019	1,112,019	1,112,019	1,112,019
Other tax payables	23(b)	1,807,408	1,938,365	1,807,408	1,938,365
		<u>525,985,535</u>	<u>513,935,305</u>	<u>525,985,535</u>	<u>513,935,305</u>
TOTAL LIABILITIES		<u>528,552,482</u>	<u>517,750,345</u>	<u>528,552,482</u>	<u>517,750,345</u>
TOTAL EQUITY AND LIABILITIES		<u>94,687,725</u>	<u>78,003,284</u>	<u>94,687,451</u>	<u>77,821,545</u>

The consolidated and separate financial statements on page 15 to 63 were approved by the Board of Directors and authorised for issue on 21/08/2024 and were signed by:

Name: Allan Kilavuka

Title: Chairperson

Signature: 

Name: Avelyne Msaki

Title: Director

Signature: 

The notes on pages 20 to 63 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 13 -14

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

<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 2022	3,209,454	10,490,987	(453,479,974)	258	(439,779,275)
Profit and total comprehensive profit	-	-	5,916,333	(1,815)	5,914,518
At 31 December 2022	<u>3,209,454</u>	<u>10,490,987</u>	<u>(447,563,641)</u>	<u>(1557)</u>	<u>(433,864,757)</u>
At 1 January 2021	3,209,454	10,490,987	(410,168,459)	408	(396,467,610)
Loss and total comprehensive loss	-	-	(43,311,516)	(150)	(43,311,666)
At 31 December 2021	<u>3,209,454</u>	<u>10,490,987</u>	<u>(453,479,975)</u>	<u>258</u>	<u>(439,779,276)</u>
<u>COMPANY</u>					
At 1 January 2022	3,209,454	10,490,987	(453,661,474)	-	(439,961,033)
Profit and total comprehensive profit	-	-	6,096,002	-	6,096,002
At 31 December 2022	<u>3,209,454</u>	<u>10,490,987</u>	<u>(447,565,472)</u>	<u>-</u>	<u>(433,865,031)</u>
At 1 January 2021	3,209,454	10,490,987	(410,467,124)	-	(396,766,683)
Loss and total comprehensive loss	-	-	(43,162,121)	-	(43,162,121)
At 31 December 2021	<u>3,209,454</u>	<u>10,490,987</u>	<u>(453,629,245)</u>	<u>-</u>	<u>(439,928,804)</u>

The notes on pages 20 to 63 form part of these consolidated and separate financial statements

Report of the Auditor – page 13 - 14

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

		Group	Group	Company	Company
	Note	31 Dec 2022 TZS '000	31 Dec 2021 TZS '000	31 Dec 2022 TZS '000	31 Dec 2021 TZS '000
Operating activities					
Profit (loss) after tax		5,914,518	(43,311,666)	6,096,002	(43,162,121)
<i>Adjustments for:</i>					
Gain on disposal of property and equipment	9	(580,417)	(16,500)	(580,417)	(16,500)
Write-off of aircraft components	15	-	1,349,234	-	1,349,234
Depreciation of property and equipment	15	24,972,733	25,809,556	24,972,733	25,677,262
Reversal of impairment loss	15	(21,729,103)	-	(21,729,103)	-
Amortisation of intangible assets	16	192,176	115,507	10,692	98,266
Interest on borrowings	25	17,960,382	16,830,883	17,960,382	16,830,883
Net unrealised forex on borrowings	25	1,313,941	23,168	1,313,941	23,168
Interest expense on lease	28	279,292	493,086	279,292	493,086
Remeasurement of lease liability	28	(148,056)	-	(148,056)	-
Net cash before working capital changes		28,175,466	1,293,268	28,175,466	1,293,278
<i>Changes in Working Capital:</i>					
• Inventories		(1,596,979)	2,720,364	(1,596,979)	2,720,364
• Trade and other receivables		(3,793,397)	(1,733,468)	(3,793,397)	(1,733,468)
• Prepayments		(711,143)	3,559	(711,143)	3,559
• Other financial assets		2,240,548	(882,395)	2,240,548	(882,395)
• Sales in advance of carriage		3,360,754	(3,242,643)	3,360,754	(3,242,643)
• Trade and other payables		(7,086,239)	8,679,457	(7,086,239)	8,679,457
Cash generated from operations		20,589,010	6,838,142	20,589,010	6,838,152
Income tax paid	23(b)	-	-	-	-
Net cash from operating activities		20,589,010	6,838,142	20,589,010	6,838,152
Investing activities					
Purchase of property and equipment	15	(8,606,702)	(7,012,253)	(8,606,702)	(7,012,253)
Acquisition of computer software	16	(165,106)	(196,110)	(165,106)	(196,105)
Proceeds from sale of property and equipment		-	16,500	-	16,500
Net cash used in investing activities		(8,771,808)	(7,191,863)	(8,771,808)	(7,191,858)
Financing activities					
Repayment of borrowings					
• Interest	25	(1,578)	(20,834)	(1,578)	(20,834)
• Principal	25	(2,821,078)	(222,639)	(2,821,078)	(222,639)
Repayments relating to leases:					
• Principal	28(ii)	(622,218)	(822,020)	(622,218)	(822,020)
• Interest	28(ii)	(279,292)	(493,086)	(279,292)	(493,086)
Net cash used in financing activities		(3,724,166)	(1,558,579)	(3,724,166)	(1,558,579)
Net increase in cash and cash equivalents		8,093,036	(1,912,300)	8,093,036	(1,912,285)
Cash and cash equivalents at start of the year		38,537	2,236,068	38,537	2,236,068
Effect of movements in exchange rates on cash held		(316,034)	(285,231)	(316,034)	(285,246)
Cash and cash equivalents at year end	22	7,815,539	38,537	7,815,539	38,537

The notes on pages 20 to 63 form part of these consolidated and separate financial statements.

Report of the Auditor – page 13-14

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2022, be received by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2022, be and are hereby received”.

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2022, be noted by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2022, be and are hereby noted”.



**TO RECEIVE AND CONSIDER FOR NOTING
THE DIRECTORS' REPORT, ANNUAL
ACCOUNTS AND AUDITORS' REPORT FOR
THE PERIOD ENDED
31ST DECEMBER, 2023**



**AN EXTRACT OF THE DIRECTORS' REPORT,
ANNUAL ACCOUNTS AND AUDITORS'
REPORT FOR THE PERIOD
ENDED 31ST DECEMBER 2023.**

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023

1 INTRODUCTION

The Directors present their annual report together with the consolidated and separate audited financial statements for the year ended 31 December 2023 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 2023 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 of 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 flew to fourteen (14) destinations (2022: 13) within (domestic destinations) and outside Tanzania (regional destinations). Domestic destinations include Arusha, Kilimanjaro, Mwanza, Bukoba, Mtwara, Dodoma, Tabora, Seronera - Serengeti, Kahama, Mbeya and Zanzibar. Regional destinations include Nairobi, Hahaya and Anjouan(Comoros).

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 320 million (2022: 333 million) which is a decrease of approximately 4% from prior year.

Capacity utilized

Total passengers carried in the network during the financial year was 481,981 compared to a prior-year level of 479,658 thus an increase of 0.5% compared to the prior year. There were no significant changes in passenger numbers in the current year due to after pandemic challenges of spare parts which extended the delivery time of parts and left some equipment grounded longer than estimated. There was a change in terms of frequencies offered and routes operated for the year ended 31 December 2023 compared to the period ended 31 December 2022, however, the changes were not significant.

The Revenue Passenger Kilometre (RPK) achieved from the market was 210 million (2022: 215 million) which is a decrease of 2.4% compared to the prior year.

Yields

Yield per RPK achieved during the year was 21.1 US Cents (USc) (2022: USc 18.92).

Profitability

During the year the Group recorded a loss of TZS 57.4 billion (2022: profit of TZS 5.9 billion), whereas the Company recorded loss of TZS 57.4 billion (2022: profit of TZS 6.1 billion). Detailed financial results of the Group and Company for the year are set out on page 16.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7 FUTURE DEVELOPMENTS AND PLANS

The Group will continue to focus on improving profitability and liquidity to ensure the airline remain 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 400 per share (31 Dec 2022: TZS 400 per share).

9 DIVIDENDS

The Directors do not recommend payment of dividend (31 December 2022: Nil).

10 SOLVENCY AND GOING CONCERN EVALUATION

The Group and Company's state of affairs is set out on pages 17 and 18 of the financial statements.

The Group incurred a net loss of TZS 57.4 billion during the year ended 31 December 2023 (2022: profit of TZS 5.9 billion) and as of that date, the Group's current liabilities exceeded its current assets by TZS 537.5 billion (2022: TZS 485.9 billion). The Group was also in a shareholders' deficit position of TZS 491.2 billion as of that date (2022: TZS 433.8 billion).

Furthermore, during the year ended 31 December 2023, the Company incurred a net loss of TZS 57.4 billion (2022: profit of TZS 6 billion) and as at that date, the Company's current liabilities exceeded its current assets by TZS 537.5 billion (2022: TZS 485.9 billion). The Company was also in a shareholders' deficit position of TZS 491.2 billion as at that date (2022: TZS 433.8 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.

Additionally, on 6th November 2022 one of our Finance leased aircrafts was involved on a fatal accident at the Bukoba Airport. The aircraft was damaged beyond repair. This has significantly impacted our operations.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023 (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 2022: 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 2022: 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 435.3 billion as of year-end (2022: TZS 398 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 2023			31 December 2022		
	No. of shares	% Shareholding	Amount TZS'000	No. of shares	% Shareholding	Amount TZS'000
The estate of the late Mr. 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
	160,472,720	100.00	3,209,454	160,472,720	100.00	3,209,454

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

13 SHAREHOLDING (CONTINUED)

The distribution of shareholders as of 31 December 2023 were as follows:

<u>Name of shareholder</u>	<u>No. of shares</u>	<u>% Shares</u>	<u>Type</u>	<u>Nationality</u>
The Estate of the late Mr. 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	12.77%		
	160,472,720	100.00%		

*Mr Michael Shirima passed away on the 9th of June 2023. The shares are under transmission, following his passing.

*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 (2022: 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/Deceased</u>
Mr. Michael N. Shirima	Tanzanian	Chairman	81	16 January 1991	9 June 2023- Deceased
Mr. Avelyne Msaki	Tanzanian	Director	49	29 August 2016	N/A
Ms. Hellen Muthoni Mathuka	Kenyan	Director	50	20 March 2018	N/A
Mr. Abdulrahman Omar Kinana	Tanzanian	Director	73	18 April 2018	11 February 2023
Mr. Evans Ndorosey	Tanzanian	Director	74	19 December 2019	N/A
Mr. Allan Kilavuka Inuani	Kenyan	Director	52	27 February 2020	N/A
Mr. Dickson Muriangi	Kenyan	Director	55	26 August 2021	N/A
Mr. Vincent N. Shirima	Tanzanian	Director	49	25 January 2024	N/A
Mr. Harry M. Kitilya	Tanzanian	Director	74	25 January 2024	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, the late Mr. Michael N. Shirima held 42.91% of the Company's issued ordinary share capital which are under transmission. None of the other Directors holds an interest in the Company.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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>2023</u> TZS '000'	<u>31 December</u> <u>2022</u> TZS '000'
Chairman of the board	3,424	3,754
Other Directors	43,451	21,393
<u>Other fees paid during the year to the Directors':</u>		
Chairman of the board	165,290	361,510

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 (End of contract: January 2023)
Mr. Oscar Goodluck	Ag. Head of Human Resource and Administration (January 2023 to July 2023)
Mr. Bruno Daniel Mndeme	Head of Human Resource and Administration (Appointed July 2023)
Mr. Peter Fiwa	Head of Flight Operations (End of contract: August 2023)
Capt. Specioza Rweyemamu	Head of Flight Operations (Appointed in August 2023)
Mr. Pablo Alves	Head of Maintenance and Engineering
Mr. Khalid Kaude	Head Quality, Safety and Security
Ms. Wendy Benedict	Chief Internal Auditor
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 material accounting policies, which are laid out under Note 4 of the financial statements are subject to an annual review to ensure continuing compliance with IFRS Accounting 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 Plc. The subsidiary provides ground handling services to Precision Air Services Plc and is yet to obtain a license to serve other third-party airlines.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

20 INVESTMENTS (CONTINUED)

Precise Systems Limited was incorporated in Tanzania in 2011 and 99% of its share capital is held by Precision Air Services Plc. 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 2023 (2022: Nil). Acquisitions and disposals of properties and equipment are disclosed on Note 15 of the financial statements.

22 POLITICAL AND CHARITABLE DONATIONS

There was no contribution to community projects and other charitable organizations during the year (2022: Nil). No political donations were made during the year (2022: Nil).

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 required working environment.

The number of employees in the Group at the end of the year totalled 401 (2022: 393 employees). 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.

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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 2023, the Group had 248 male and 153 female employees (31 December 2022: 253 male and 140 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.

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. Dickson Murianki, 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 on 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 invitations.

The Board met three (3) times and the audit committee met four (4) times during the year ended 31 December 2023.

Name	100 th BOD meeting	101 st BOD meeting	Extra Ordinary BOD Meeting	59 th BAC meeting	60 th BAC meeting	61 st BAC meeting	62 nd BAC meeting
1 Mr Michael Shirima*	√	√	*	*	*	*	*
2 Mr Allan Kilavuka Inuani	X	√	√	*	*	*	*
3 Mr. Avelyne Msaki	X	√	√	√	√	√	√
4 Ms. Hellen Muthoni Mathuka	√	√	√	√	√	X	√
5 Mr. Abdulrahman Omar Kinana	√	R	R	*	*	*	*
6 Mr. Evans Ndorosey	√	√	√	*	*	*	*
7 Mr. Dickson Murianki	√	X	√	√	√	√	√

*Mr Michael Shirima passed away on the 9th of June 2023.

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

PRECISION AIR SERVICES PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

26 CORPORATE GOVERNANCE (CONTINUED)

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.

Code of ethics

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

Directors' emoluments and loans

The emoluments paid to Directors for services rendered during the year ended 31 December 2023 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 (2022: None).

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.

PRECISION AIR SERVICES PLC

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

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 2024 will be put to the Annual General Meeting.

BY THE ORDER OF THE BOARD

Name: Allan Kilavuka

Name: Avelyne Msaki

Title: Chairperson

Title: Director

Signature: _____

Signature: _____

Date: _____

Date: _____

07 / 11 / 2024

07 / 11 / 2024

PRECISION AIR SERVICES PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, 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 material accounting policies, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 in 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 07/11/2024

Name: Allan Kilavuka

Title: Chairperson

Signature: _____



Name: Avelyne Msaki

Title: Director

Signature: _____



PRECISION AIR SERVICES PLC

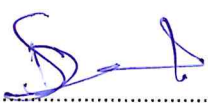
DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2023

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 12.

I, **Deuseddit 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 2023 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: 07/11/2024



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

Disclaimer of Opinion

We were engaged to audit the consolidated and separate financial statements of Precision Air Services Plc ('the Group and Company') set out on pages 16 to 66, which comprise the consolidated and separate statements of financial position as at 31 December 2023, 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 material accounting policies.

We do not express an opinion on the accompanying consolidated and separate financial statements of Precision Air Services Plc. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for Disclaimer of Opinion

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 57.4 billion and TZS 57.4 billion respectively during the year ended 31 December 2023 and, as of that date, the Group's and Company's current liabilities exceeded their current assets by TZS 537.5 billion and TZS 537.5 billion respectively while their total liabilities exceeded their total assets by TZS 491.2 billion and TZS 491.2 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 435.3 billion being due on demand. These events or conditions, along with other matters as set forth in Note 3(c), indicate that material uncertainties exist that cast significant doubt on the Group's and Company's ability to continue as a going concern. The consolidated and separate financial statements do not include any adjustments that may be necessary as a result of these uncertainties.

As disclosed in Note 3(c) to the consolidated and separate financial statements, Precision Air Services Plc intends to continue to operate as a going concern. However, this is dependent on the Group and Company successfully negotiating with its main lenders and other creditors to restructure loans and other liabilities. The restructuring measures include among others extension of repayment periods for maturing loans, waiving of penalties and accrued interests. We were unable to obtain sufficient appropriate audit evidence regarding the Directors' plans for future actions, and whether these plans are feasible and likely to be successful. Consequently, we were unable to determine whether or not it is appropriate to prepare the consolidated and separate financial statements using the going concern basis of accounting.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

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.



**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, because of the matter described under basis of disclaimer of opinion paragraph, we are unable report to you:

- Whether 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.
- that we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.
- that the Directors' report is consistent with the consolidated and separate financial statements; and
- that the 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 8/11/2024

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Group 31 Dec 2023 TZS '000	Group 31 Dec 2022 TZS '000	Company 31 Dec 2023 TZS '000	Company 31 Dec 2022 TZS '000
Revenue	7	134,682,609	117,667,008	134,682,609	117,667,008
Cost of sales	8	<u>(120,953,148)</u>	<u>(111,714,826)</u>	<u>(120,953,148)</u>	<u>(111,714,826)</u>
Gross profit		13,729,461	5,952,182	13,729,461	5,952,182
Other income	9	1,291,121	1,752,890	1,291,121	1,752,890
Marketing expenses	10	(1,768,059)	(1,610,787)	(1,768,059)	(1,610,787)
Administrative expenses	11	(15,982,324)	(2,436,632)	(15,982,327)	(2,255,148)
Reversal of impairment loss of non-financial assets		-	21,729,103	-	21,729,103
Net Increase/(decrease) in Impairment of receivables		<u>(177,123)</u>	<u>248,970</u>	<u>(177,123)</u>	<u>248,970</u>
Operating (loss)/profit		(2,906,924)	25,635,726	(2,906,927)	25,817,210
Finance costs	12	(18,882,996)	(18,374,699)	(18,882,996)	(18,374,699)
Net foreign exchange loss	13	<u>(35,591,258)</u>	<u>(1,346,509)</u>	<u>(35,591,258)</u>	<u>(1,346,509)</u>
(Loss)/profit before income tax		(57,381,178)	5,914,518	(57,381,181)	6,096,002
Income tax expense	23(c)	-	-	-	-
(Loss)/profit for the year		(57,381,178)	5,914,518	(57,381,181)	6,096,002
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/profit		(57,381,178)	5,914,518	(57,381,181)	6,096,002
(Loss)/profit attributable to:					
Owners of the Company		(57,381,178)	5,916,333	-	-
Non-controlling interest	14	-	(1,815)	-	-
		<u>(57,381,178)</u>	<u>5,914,518</u>	<u>-</u>	<u>-</u>
Earnings Per Share (TZS)	34	(357.58)	36.86	(357.58)	37.99

The notes on pages 21 to 66 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 14 -15.

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		Group <u>31 Dec 2023</u> TZS '000	Group <u>31 Dec 2022</u> TZS '000	Company <u>31 Dec 2023</u> TZS '000	Company <u>31 Dec 2022</u> TZS '000
	Notes				
ASSETS					
Non-current assets					
Property and equipment	15	48,336,710	54,439,610	48,336,709	54,439,610
Intangible assets	16	<u>256,493</u>	<u>262,323</u>	<u>256,219</u>	<u>262,049</u>
		<u>48,593,203</u>	<u>54,701,933</u>	<u>48,592,928</u>	<u>54,701,659</u>
Current assets					
Inventory	19	12,359,091	10,307,520	12,359,091	10,307,520
Other financial assets	18	2,828,664	1,442,577	2,828,664	1,442,577
Trade and other receivables	20	7,723,664	18,570,043	7,723,664	18,570,043
Prepayments	21	1,765,917	970,570	1,765,917	970,570
Cash and cash equivalents	22	<u>8,566,625</u>	<u>8,695,082</u>	<u>8,566,625</u>	<u>8,695,082</u>
		<u>33,243,961</u>	<u>39,985,792</u>	<u>33,243,961</u>	<u>39,985,792</u>
TOTAL ASSETS		<u><u>81,837,164</u></u>	<u><u>94,687,725</u></u>	<u><u>81,836,889</u></u>	<u><u>94,687,451</u></u>

The notes on pages 21 to 66 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 14 -15.

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONTINUED)

	Notes	Group	Group	Company	Company
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
		TZS '000	TZS '000	TZS '000	TZS '000
EQUITY AND LIABILITIES					
Equity					
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		(504,944,821)	(447,563,641)	(504,946,653)	(447,565,472)
Non-controlling interest	14	(1,557)	(1,557)	-	-
		<u>(491,245,937)</u>	<u>(433,864,757)</u>	<u>(491,246,212)</u>	<u>(433,865,031)</u>
Non-current liabilities					
Lease Liability	28(a)(ii)	2,341,268	2,566,947	2,341,268	2,566,947
Current liabilities					
Borrowings	25	435,307,593	398,013,680	435,307,593	398,013,680
Overdraft	26	-	879,543	-	879,543
Trade and other payables	27	111,987,981	108,359,726	111,987,981	108,359,726
Lease Liability	28(a)(ii)	966,332	835,897	966,332	835,897
Sales in advance of carriage	7(c)	19,269,598	14,977,262	19,269,598	14,977,262
Corporate tax payable	23(a)	1,112,019	1,112,019	1,112,019	1,112,019
Other tax payables	23(b)	2,098,310	1,807,408	2,098,310	1,807,408
		<u>570,741,833</u>	<u>525,985,535</u>	<u>570,741,833</u>	<u>525,985,535</u>
TOTAL LIABILITIES		<u>573,083,101</u>	<u>528,552,482</u>	<u>573,083,101</u>	<u>528,552,482</u>
TOTAL EQUITY AND LIABILITIES		<u>81,837,164</u>	<u>94,687,725</u>	<u>81,836,889</u>	<u>94,687,451</u>

The consolidated and separate financial statements on page 16 to 66 were approved by the Board of Directors and authorised for issue on 07/11/2024 and were signed by:

Name: Allan Kilavuka

Title: Chairperson

Signature: 

Name: Avelyne Msaki

Title: Director

Signature: 

The notes on pages 21 to 66 form part of these consolidated and separate financial statements.

Report of the Auditor – pages 14 -15.

PRECISION AIR SERVICES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

GROUP

	<u>Issued capital</u>	<u>Share premium</u>	<u>Accumulated losses</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2023	3,209,454	10,490,987	(447,563,643)	(1,557)	(433,864,759)
Loss and total comprehensive income	-	-	(57,381,178)	-	(57,381,178)
At 31 December 2023	<u>3,209,454</u>	<u>10,490,987</u>	<u>(504,944,821)</u>	<u>(1,557)</u>	<u>(491,245,937)</u>
At 1 January 2022	3,209,454	10,490,987	(453,479,974)	258	(439,779,275)
Profit and total comprehensive income	-	-	5,916,333	(1,815)	5,914,518
At 31 December 2022	<u>3,209,454</u>	<u>10,490,987</u>	<u>(447,563,641)</u>	<u>(1,557)</u>	<u>(433,864,757)</u>

COMPANY

At 1 January 2023	3,209,454	10,490,987	(447,565,472)	-	(433,865,031)
Loss and total comprehensive income	-	-	(57,381,181)	-	(57,381,181)
At 31 December 2023	<u>3,209,454</u>	<u>10,490,987</u>	<u>(504,946,653)</u>	-	<u>(491,246,212)</u>
At 1 January 2022	3,209,454	10,490,987	(453,661,474)	-	(439,961,033)
Profit and total comprehensive income	-	-	6,096,002	-	6,096,002
At 31 December 2022	<u>3,209,454</u>	<u>10,490,987</u>	<u>(447,565,472)</u>	-	<u>(433,865,031)</u>

The notes on pages 21 to 66 form part of these consolidated and separate financial statements.

Report of the Auditor – page 14 – 15.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		Group	Group	Company	Company
	Note	<u>31 Dec 2023</u>	<u>31 Dec 2022</u>	<u>31 Dec 2023</u> TZS '000	<u>31 Dec 2022</u> TZS '000
Operating activities					
(Loss)/profit after tax		(57,381,178)	5,914,518	(57,381,181)	6,096,002
<i>Adjustments for:</i>					
Loss/(gain) on disposal of property and equipment	9&11	607,914	(580,417)	607,914	(580,417)
Net unrealised foreign exchange loss	13&25	34,006,889	1,313,941	34,006,889	1,313,941
Depreciation of property and equipment and ROU	15	18,864,613	24,972,733	18,864,613	24,972,733
Reversal of impairment loss	15	-	(21,729,103)	-	(21,729,103)
Amortisation of intangible assets	16	21,669	192,176	21,669	10,692
Provision for expected credit loss on trade and other receivables	20	177,123	(248,970)	177,123	(248,970)
Interest on borrowings	25	18,584,053	17,960,382	18,584,053	17,960,382
Interest expense on lease	28	244,355	279,292	244,355	279,292
Remeasurement of lease liability		218,691	(148,056)	218,691	(148,056)
Net cash before working capital changes		<u>15,344,129</u>	<u>27,926,496</u>	<u>15,344,126</u>	<u>27,926,496</u>
<i>Changes in Working Capital:</i>					
• Inventories		(2,051,571)	(1,596,979)	(2,051,571)	(1,596,979)
• Trade and other receivables		(451,488)	(3,544,427)	(451,488)	(3,544,427)
• Prepayments		(795,347)	(711,143)	(795,346)	(711,143)
• Other financial assets		(1,298,157)	2,240,548	(1,298,157)	2,240,548
• Sales in advance of carriage		4,292,336	3,360,754	4,292,336	3,360,754
• Trade and other payables		3,858,985	(7,086,239)	3,858,987	(7,086,239)
Cash generated from operations		<u>18,898,887</u>	<u>20,589,010</u>	<u>18,898,887</u>	<u>20,589,010</u>
Income tax paid	23(a)	-	-	-	-
Net cash from operating activities		<u>18,898,887</u>	<u>20,589,010</u>	<u>18,898,887</u>	<u>20,589,010</u>
Investing activities					
Purchase of property and equipment	15	(13,274,327)	(8,606,702)	(13,274,327)	(8,606,702)
Acquisition of computer software	16	(15,839)	(165,106)	(15,839)	(165,106)
Net cash used in investing activities		<u>(13,290,166)</u>	<u>(8,771,808)</u>	<u>(13,290,166)</u>	<u>(8,771,808)</u>
Financing activities					
Repayment relating to borrowings:					
• Interest	25	-	(1,578)	-	(1,578)
• Principal	25	(4,433,571)	(2,821,078)	(4,433,571)	(2,821,078)
Repayment relating to lease:					
• Interest	28(ii)	(244,355)	(279,292)	(244,355)	(279,292)
• Principal	28(ii)	(656,713)	(622,218)	(656,713)	(622,218)
Net cash used in financing activities		<u>(5,334,639)</u>	<u>(3,724,166)</u>	<u>(5,334,639)</u>	<u>(3,724,166)</u>
Net increase in cash and cash equivalents		<u>274,082</u>	<u>8,093,036</u>	<u>274,082</u>	<u>8,093,036</u>
Cash and cash equivalents at the start of the year		7,815,539	38,537	7,815,539	38,537
Effects of movements in exchange rates on cash held		477,004	(316,034)	477,004	(316,034)
Cash and cash equivalents at year/period end	22	<u>8,566,625</u>	<u>7,815,539</u>	<u>8,566,625</u>	<u>7,815,539</u>

The notes on pages 21 to 66 form part of these consolidated and separate financial statements.

Report of the Auditor – page 14 - 15.

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2023, be received by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2023, be and are hereby received”.

MOTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2023, be noted by the EGM”.

PROPOSED RESOLUTION:

“THAT the Directors’ report, Annual Accounts, and Auditors’ report for the year ended 31st December 2023, be and are hereby noted”.



**TO NOTE THE ELECTION AND APPOINTMENT
OF DIRECTORS AND THEIR REMUNERATION
FOR THE PERIOD BETWEEN 2019 AND
2024.**

1. TO NOTE THE ELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2019

REFER:

ITEM NO. 14 OF THE DIRECTORS' REPORT [Composition of the Board of Directors]

ITEM NO. 16 OF THE DIRECTORS' REPORT [Directors' remuneration]

MOTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December 2019, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December, 2019 are hereby noted".

2. TO NOTE THE ELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2020

REFER:

ITEM NO. 14 OF THE DIRECTORS' REPORT [Composition of the Board of Directors]

ITEM NO. 16 OF THE DIRECTORS' REPORT [Directors' remuneration]

MOTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December 2020, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December, 2020 are hereby noted".

3. TO NOTE THE ELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2021

REFER:

ITEM NO. 14 OF THE DIRECTORS' REPORT [Composition of the Board of Directors]

ITEM NO. 16 OF THE DIRECTORS' REPORT [Directors' remuneration]

MOTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December 2021, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December, 2021 are hereby noted".

4. TO NOTE THE ELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2022

REFER:

ITEM NO. 14 OF THE DIRECTORS' REPORT [Composition of the Board of Directors]

ITEM NO. 16 OF THE DIRECTORS' REPORT [Directors' remuneration]

MOTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December 2022, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December, 2022 are hereby noted".

5. TO NOTE THE ELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2023

REFER:

ITEM NO. 14 OF THE DIRECTORS' REPORT [Composition of the Board of Directors]

ITEM NO. 16 OF THE DIRECTORS' REPORT [Directors' remuneration]

MOTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December 2023, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December, 2023 are hereby noted".

6. TO NOTE THE ELECTION AND APPOINTMENT OF DIRECTORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2024 [status quo remained the same as reflected in 2023 report]

REFER:

ITEM NO. 14 OF THE DIRECTORS' REPORT [Composition of the Board of Directors]

ITEM NO. 16 OF THE DIRECTORS' REPORT [Directors' remuneration]

MOTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December 2024, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed Directors and their remuneration for the year ended 31st December, 2024 are hereby noted".



**TO NOTE THE APPOINTMENT OF EXTERNAL
AUDITORS AND THEIR REMUNERATION FOR
THE PERIOD BETWEEN 2019 AND 2024**

1. TO NOTE THE APPOINTMENT OF EXTERNAL AUDITORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2019

REFER:

ITEM NO. 30 OF THE DIRECTORS' REPORT [APPOINTED AUDITOR]

NOTE. 12 OF THE ANNUAL ACCOUNTS [AUDITOR'S REMUNERATION]

MOTION:

"THAT the appointed External Auditors and their remuneration for the year ended 31st December 2019, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed External Auditors and their remuneration for the year ended 31st December, 2019 are hereby noted".

2. TO NOTE THE APPOINTMENT OF EXTERNAL AUDITORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2020

REFER:

ITEM NO. 29 OF THE DIRECTORS' REPORT [APPOINTED AUDITOR]

NOTE. 11 OF THE ANNUAL ACCOUNTS [AUDITOR'S REMUNERATION]

MOTION:

"THAT the appointed External Auditors and their remuneration for the year ended 31st December 2020, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed External Auditors and their remuneration for the year ended 31st December, 2020 are hereby noted".

3. TO NOTE THE APPOINTMENT OF EXTERNAL AUDITORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2021

REFER:

ITEM NO. 29 OF THE DIRECTORS' REPORT [APPOINTED AUDITOR]

NOTE. 11 OF THE ANNUAL ACCOUNTS [AUDITOR'S REMUNERATION]

MOTION:

"THAT the appointed External Auditors and their remuneration for the year ended 31st December 2021, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed External Auditors and their remuneration for the year ended 31st December, 2021 are hereby noted".

4. TO NOTE THE APPOINTMENT OF EXTERNAL AUDITORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2022

REFER:

ITEM NO. 29 OF THE DIRECTORS' REPORT [APPOINTED AUDITOR]

NOTE. 11 OF THE ANNUAL ACCOUNTS [AUDITOR'S REMUNERATION]

MOTION:

"THAT the appointed External Auditors and their remuneration for the year ended 31st December 2022, be noted by the EGM".

PROPOSED RESOLUTION:

"THAT the appointed External Auditors and their remuneration for the year ended 31st December, 2022 are hereby noted".

5. TO NOTE THE APPOINTMENT OF EXTERNAL AUDITORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2023

REFER:

ITEM NO. 29 OF THE DIRECTORS' REPORT [APPOINTED AUDITOR]

NOTE. 11 OF THE ANNUAL ACCOUNTS [AUDITOR'S REMUNERATION]

MOTION:

“THAT the appointed External Auditors and their remuneration for the year ended 31st December 2023, be noted by the EGM”.

PROPOSED RESOLUTION:

“THAT the appointed External Auditors and their remuneration for the year ended 31st December, 2023 are hereby noted”.

6. TO NOTE THE APPOINTMENT OF EXTERNAL AUDITORS AND THEIR REMUNERATION FOR THE YEAR ENDED 31ST DECEMBER, 2024

MOTIVATION:

That, KPMG completed the statutory audit of Precision Air for the year ended 31 December 2023, bringing their total years of service to five (5); which covered financial years 2018 to 2023. The company made a decision to go through a process to appoint another Auditor for the period ended 31st December, 2024. Management had requested quotations from various audit firms. A total of four (4) proposals from PKF, EY, KPMG and PWC were received in response to the requests sent. After a thorough evaluation, the Company resolved to engage PWC to audit the annual accounts for the period ending 31st December, 2024.

The remuneration fixed for the External Auditor for the above referred period is US \$ 40,000 (excluding VAT).

MOTION:

“THAT the appointed External Auditors and their remuneration for the year ended 31st December 2024, be noted by the EGM”.

PROPOSED RESOLUTION:

“THAT the appointed External Auditors and their remuneration for the year ended 31st December, 2024 are hereby noted”.



**TO RECEIVE AND APPROVE THE
AMENDMENT OF THE ARTICLES
OF ASSOCIATION, TO INTRODUCE AN
OPTION OF HOLDING
GENERAL MEETINGS VIRTUALLY**

MOTIVATION:

Current provisions of the MEMARTS assumes that General Meetings has to be held physically. The MEMARTS has provided an option to hold a Board meeting physically or virtually. To have the same provision under the General Meetings, the MEMARTS needs to be amended.

Section 13 (1) of the Companies Act No.12 of 2002 reserves the alteration of the Articles of Association to the General Meeting of shareholders.

The proposed motion together with the amendment suggested was shared with the Capital Markets and Securities Authority (CMSA) and the Dar es Salaam Stock Exchange (DSE) for their review and approval and the same has been approved.

With the proposed alteration of the Articles, a new Article 58A shall be added to the Precision Air Articles of Association and shall read as follows:

Article 58A of the MEMARTS

“Notwithstanding the provisions of Article 58, the Members, may if they think fit, or if the Directors notify them that such is the manner in which any particular meeting will be held, confer or hold an Annual General Meeting by way of radio telephone, close circuit television, video conferencing or other electronic, digital, or audio-visual communication, or in a combination of any of such means (“Virtual meeting”). Notwithstanding that the members are not present together in one place at the time of the virtual meeting, a resolution passed by the Members constituting a quorum at such a meeting shall be deemed to have been passed at a General Meeting held on the day on which and at the time at which the virtual meeting was held. The provisions relating to proceedings of General Meetings shall apply in so far as they are capable of application mutatis mutandis to such virtual meeting. Such a virtual meeting shall be deemed to have been held at the registered office of the Company.”

MOTION:

“THAT the EGM receive and approve the proposed amendment of the Articles of Association, to introduce an option of holding General Meetings virtually”.

PROPOSED RESOLUTION:

“THAT the proposed amendment of the Articles of Association, to introduce an option of holding General Meetings virtually is hereby received and approved by the EGM”.



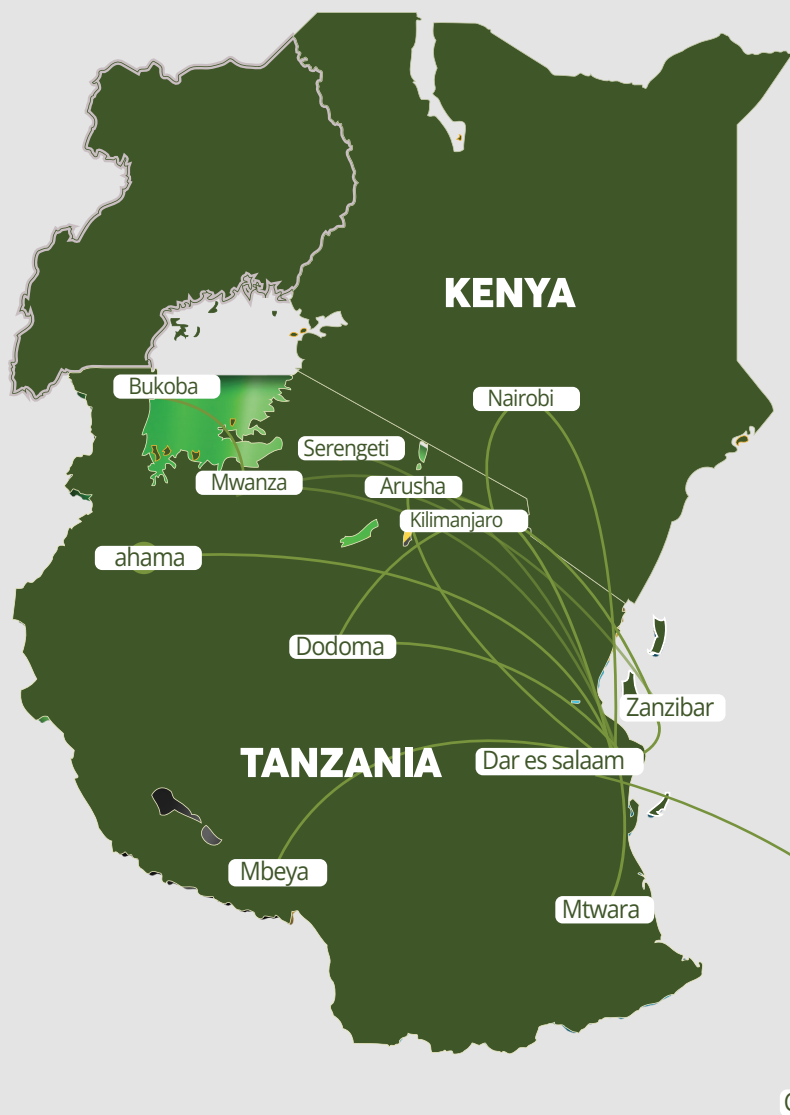
**ANY OTHER BUSINESS FOR WHICH DUE
NOTICE HAS BEEN GIVEN**



CLOSURE OF THE MEETING



Precision Air Route Map



Currently we cover 11 domestic destinations focusing on major economics and tourist centers

- ✈ Arusha
- ✈ Bukoba
- ✈ Dar es Salaam
- ✈ Dodoma
- ✈ Kilimanjaro
- ✈ Mtwara
- ✈ Mwanza
- ✈ Zanzibar
- ✈ Serengeti
- ✈ Kahama
- ✈ Mbeya

.....And regional destinations

- ✈ Nairobi
- ✈ Comoros (Moroni and Anjouan)

Contact Us:
0784 402 002, 0746 984 100, and 0784 108 800

