

PRECISION AIR SERVICES PLC
ANNUAL REPORT AND CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

PRECISION AIR SERVICES PLC

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PRECISION AIR SERVICES PLC

CORPORATE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

PRINCIPAL PLACE OF BUSINESS:	DIAMOND PLAZA MIRAMBO STREET, 1 ST FLOOR P.O. BOX 70770 DAR ES SALAAM
REGISTERED OFFICE:	NEW SAFARI HOTEL BOMA ROAD P.O BOX 1636 ARUSHA
BANKERS:	CRDB BANK PLC P.O. BOX 3150 ARUSHA STANBIC BANK P.O. BOX 3062 ARUSHA KCB BANK TANZANIA P.O. BOX 804 DAR ES SALAAM NATIONAL BANK OF COMMERCE LIMITED P.O BOX 157 ZANZIBAR STANDARD CHARTERED BANK P.O. BOX 30003 NAIROBI, KENYA I&M BANK P.O BOX 30238 NAIROBI, KENYA CITI BANK TANZANIA LIMITED P.O. BOX 71625 DAR ES SALAAM
GROUP SECRETARY:	MIGIRE MIGIRE P.O. BOX 70770 DAR ES SALAAM
GROUP AUDITOR:	KPMG 2ND FLOOR, THE LUMINARY PLOT NO. 574 HAILE SELASSIE ROAD, MASAKI REGISTRATION NO. 107992 TAX IDENTIFICATION NO. 100-144-921 NBAA PF NO. PF020 P.O. BOX 1160 DAR ES SALAAM TANZANIA

PRECISION AIR SERVICES PLC

HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2023

<u>GROUP</u>	<u>31 December</u> <u>2023</u> <u>TZS '000</u>	<u>31 December</u> <u>2022</u> <u>TZS '000</u>
<u>Revenue</u>		
Passenger	110,272,624	94,214,855
Interline revenue	15,198	-
Freight and mail	904,434	868,106
Cancellation income	878,848	922,508
No show fees and other charges	1,385,194	1,534,090
Passenger tickets writeback	2,334,908	3,804,201
Fuel surcharge	18,891,403	16,323,248
Total	134,682,609	117,667,008
Cost of sales	(120,953,148)	(111,714,826)
Gross profit	13,729,461	5,952,182
Gross profit margin %	10%	5%
Operating (loss)/profit	(2,906,924)	25,635,726
Finance costs	(54,474,254)	(19,721,208)
(Loss)/profit before income tax	(57,381,178)	5,914,518
Income tax expense	-	-
(Loss)/Profit for the year	(57,381,178)	5,914,518
Other comprehensive income	-	-
Total comprehensive (loss)/profit for the year	(57,381,178)	5,914,518
Earnings per share (TZS)	(357.58)	36.86
<u>OPERATING STATISTICS</u>		
Passengers	481,981	479,658
Revenue passenger kilometre (RPK's) ('000)	209,596	214,633
Available seats kilometre (ASK's) ('000)	320,723	333,325
Passenger load factor	65%	64%
Yield per RPK (USc)	21.10	18.92
Employees	401	393
ASK's per employee - '000	800	848
Revenue per employee - TZS'000	134,694	129,055
Loss per employee - TZS'000	(143,095)	15,511
Block hours	14,417	16,879
Fleet size at year end		
ATR 72 – 500	5	5
ATR 42 - 600	2	2
ATR 42 – 500	1	1
Total number of aircraft	8	8
<i>Grounded aircraft (out of the above total fleet size)</i>		
ATR 42 – 600	2	2
Total	2	2

PRECISION AIR SERVICES PLC

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 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, 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

Other fees paid during the year to the Directors':

Chairman of the board	165,290	361,510
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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

Title: Chairperson

Signature: 

Date: 07 / 11 / 2024

Name: Avelyne Msaki

Title: Director

Signature: 

Date: 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, **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 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	(120,953,148)	(111,714,826)	(120,953,148)	(111,714,826)
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		(177,123)	248,970	(177,123)	248,970
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	(35,591,258)	(1,346,509)	(35,591,258)	(1,346,509)
(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)	-	-
		(57,381,178)	5,914,518	-	-
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	Group	Company	Company
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	Notes	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Non-current assets					
Property and equipment	15	48,336,710	54,439,610	48,336,709	54,439,610
Intangible assets	16	256,493	262,323	256,219	262,049
		<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	8,566,625	8,695,082	8,566,625	8,695,082
		<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)

		<u>Group</u> <u>31 Dec 2023</u> TZS '000	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
EQUITY AND LIABILITIES	Notes				
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.

PRECISION AIR SERVICES PLC

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

		Group	Group	Company	Company
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	Note			TZS '000	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		15,344,129	27,926,496	15,344,126	27,926,496
<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		18,898,887	20,589,010	18,898,887	20,589,010
Income tax paid	23(a)	-	-	-	-
Net cash from operating activities		18,898,887	20,589,010	18,898,887	20,589,010
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		(13,290,166)	(8,771,808)	(13,290,166)	(8,771,808)
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		(5,334,639)	(3,724,166)	(5,334,639)	(3,724,166)
Net increase in cash and cash equivalents		274,082	8,093,036	274,082	8,093,036
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	8,566,625	7,815,539	8,566,625	7,815,539

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

Report of the Auditor – page 14 - 15.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 CORPORATE INFORMATION

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

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

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

Precision Handling Limited was incorporated in Tanzania in 2010 and 99.99% of its share capital is held by Precision Air Services Plc and the minority shareholder is Elias Mwashiuya. The subsidiary provides ground handling services to Precision Air Services Plc 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 Plc, and the minority shareholder is Vincent Ngaleku Shirima. The subsidiary used to distribute the Galileo Reservation system to Airlines and Travel Agents in Tanzania. The Subsidiary commenced operations on 1 July 2012 and stopped operations in 2015.

The consolidated financial statements as of and for the year ended 31 December 2023 comprise the Company and its subsidiary, Precision Handling Limited (together referred to as the "Group"). The separate financial statements relate to the unconsolidated financial statements of the Company.

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

2 COMPARATIVE INFORMATION

These financial statements have been prepared for 12 months from 1 January 2023 to 31 December 2023 and comparative information is for 12 months from 1 January 2022 to 31 December 2022 and the amounts presented in the consolidated and separate financial statements are entirely comparable.

3 BASIS OF ACCOUNTING

a) Statement of compliance and basis of measurements

These consolidated and separate financial statements have been prepared 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. They were authorized for issue by the Group's Board of Directors on 07.11.2024

The consolidated and separate financial statements have been prepared on a historical cost basis, except where fair value measurements have been applied and specified as such in the accounting policies.

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

b) Basis of consolidation

i) Subsidiaries

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

ii) Non-controlling interest (NCI)

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

3 BASIS OF ACCOUNTING (CONTINUED)

b) Basis of consolidation (Continued)

iii) Loss of control

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

iv) Transaction eliminated on consolidation

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

c) Going concern

During the year ended 31 December 2023, the Group and the Company incurred a net loss of TZS 57.4 billion (2022: profit of TZS 5.9 billion) and TZS 57.4 billion (2022: profit of TZS 6 billion) respectively.

The Group had its current liabilities exceed its current assets at 31 December 2023 by TZS 537.5 billion (31 December 2022: TZS 485.9 billion) and it was also in a shareholders' deficit position at 31 December 2023 of TZS 491.2 billion (31 December 2022: TZS 433.8 billion).

The Company had its current liabilities exceed its current assets at 31 December 2023 by TZS 537.5 billion (31 December 2022: TZS 485.9 billion) and it was also in a shareholders' deficit position at 31 December 2023 of TZS 491.2 billion (31 December 2022: TZS 433.8 billion).

In addition, as disclosed at Note 5(a) and Note 25, the Group and Company also defaulted on their debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 435.3 billion being due on demand.

The going concern basis of presentation assumes that Precision Air Services Plc. (the "Company") will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

On 6th November 2022 Precision Air flight number PW 494 Flying from Dar es Salaam to Bukoba was involved in an accident as it was approaching Bukoba Airport. Regrettably in that accident there were 19 fatalities and 24 survivors. The Aircraft that was operating, PW 494, was an ATR 42-500 with Reg 5H PWF with 39 Passenger on board (38 Adults and 1 infant) and 4 crew members. As the investigation is still ongoing the company is in close contact with next of kin for all the deceased and with the survivors. Insurance compensations for deceased and for survivors are being coordinated by Marsh Lawyers with their local office working together with the company's legal section. Compensation of TZS 11.3 billion was paid directly to the aircraft lessor (CITI Bank Europe) on 5 May 2023 by the insurance company with respect to the crashed aircraft. This amount reduced the loan amount from the lessor who financed the purchase of the aircraft.

These events or conditions indicate a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern and, therefore, the Group and Company may be unable to realise their assets and discharge their liabilities in the normal course of business. To enable the Group and Company to continue as a going concern, the directors have put in place the following plans:

1. The Company continues to fast-track the maintenance of grounded aircraft and the next aircraft PWC is expected to fly by November 2024 and PWH by December 2024. The priority for overhauls for the engines needed to have this aircraft flying has already been agreed with MRO. The company also had a chance to discuss with engines manufactures in Canada, Pratt & Whitney, on the issues surrounding availability of parts for engine repairs. The manufacturer agreed to give Precision Air priority on having the parts available quicker than earlier planned to enable the task of engines overhaul going smoothly and quicker than early planned.
2. The Company has reviewed the proposal for loan restructure that was prepared early and made changes to reflect the position after the loss of the aircraft that was involved in the accident on 6th November 2022.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

3 BASIS OF ACCOUNTING (CONTINUED)

c) Going concern (Continued)

2. The proposal is intended to achieve a workable proposal seeking waivers from its lenders relating to covenant violations on aircraft financing loan as of December 31, 2023 and renegotiating the terms of the agreement which is now repayable on demand (see Note 26 – Borrowings), following the accident, the negotiations are temporarily on hold to assess the load reduction as a result of recovery from insurance. The Group and Company will continue pursuing various options with potential lenders which involve debt restructuring to convert current borrowings into non-current liabilities by extending the repayment periods. The renegotiations with lenders and other creditors (i.e., suppliers and the government) also include a request for waiver of penalties and interests and a haircut on the principal amount. Directors believe the debt restructuring will be successful and will enable the Group and the Company to achieve its business plans by easing liquidity pressure created by debt already due on demand. While no agreements with potential lenders or creditors have been reached yet at the date of approval of the consolidated and separate financial statements, directors believe that such agreements will be reached.

3. The Group continues with the implementation of a revised business plan by reviewing the entire network creating new rotations that improve customer satisfaction to support increased demands and take an advantageous position in local competition. Continued plans aiming at improving frequency count, increasing the number of available seats and optimise the competitive range of the aircraft.

The entity plans on introducing two new routes and a hub to further improve passenger and interline revenue.

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

Route	Expected route revenue per annum
Dar – Dodoma – Iringa – Songea	USD 1.01 million
Dar- Dodoma- Nairobi (from 2025)	USD 1.8 million

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

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

5. The Company set up of Airline Training Organization (ATO) which has nine (9) Cabin Crew graduations to date. The Company continues with its original plan to start ground training, Crew Resource Management (CRM) and Dangerous Goods Regulations (DGR). Airline Sales and ticketing classes shall start in later days after completion of CRM and DGR classes. The Company charges TZS 3 million as fees per student for the three-month course.
6. Dry lease of aircraft ATR 42-500 and ATR 72 500. The company is in discussions with several lessors for dry lease of additional two (2) ATR, Aircraft One ATR 42-500 and One ATR 72 500. The plan is to bring in the Aircraft into our fleet by December 2024 and 2025 respectively. The company will also be in a position of taking advantage of any emerging new business opportunities.
7. The Company continues to enhance working relationships with partners for a guaranteed supply of key operational services such as fuel and technical spares for maintenance such as instalment payment plans. However, the ability of the Company to continue as a going concern is dependent on the successful completion of the debt restructuring plans and the effective implementation of the operational plans stated above.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES

(a) Revenue from contracts with customers

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

Performance obligations and revenue recognition policies

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

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Passenger	Tickets are pre-sold up in advance of the air transport-taking place. The Company receives payment at or shortly after time of sale. Between time of sale and time of air transport the amounts collected from the customers are presented as sales in advance of carriage liabilities. The value of the resulting sales in advance of carriage liabilities represents the aggregate transaction price of performance obligations not yet satisfied.	Precision air recognises revenue when air transport is delivered to its customer(s) on a flight date promised in the ticket or airway bill (contract).
Interline commissions	A ticket with connecting flights operated by multiple carriers represents a separate performance obligation(s) for each carrier. Interline commission does not have separate performance obligations but are associated with the performance obligation of the air transport.	Interline commission is recognized over time and reflect progress based on segments provided by each operating carrier.
Freight and mail	Performance obligation attached to cargo and mail service is delivering consignment received from the independent contractor to a specified destination.	Freight revenue will be recognised once air transport is completed for the consignment.
No show fees and other charges	Ancillary revenue comprises sales of ticket related products and services, like no show fees and other charges. Most of the products and services do not have separate performance obligations but are associated with the performance obligation of the air transport and are hence recognized as revenue at the time of the transport. No show fees represent a modification of the original travel contract where the passenger failed to travel on the scheduled flight time.	Revenue related to ancillary services that are not considered distinct from the contract for a flight should be recognized at the time of the flight. Certain ancillary services which may be distinct services, and which are not specifically associated with a ticket for transportation, may be recognized on a systematic basis that reflects the fulfilment of the related performance obligation.
Cancellation income	Each fare type that an airline issues will have its own conditions attached, which may include it being restricted, non-upgradeable or non-refundable. This means that if passengers need to make a change to their booking, cancel flights or buy replacement tickets then a change fee (or service fee) may apply. Change fees are not refundable and have no separate value to the customer once paid.	Recognize when performance obligation fulfilled on cancellation.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) Revenue from contracts with customers (Continued)

Performance obligations and revenue recognition policies (Continued)

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Passenger tickets writeback (Unused tickets)	Air ticket breakage/writeback constitute of income from sale of tickets, which are eventually not used for travel and cannot be exchanged or refunded.	Breakage/Writeback is recognised only when the likelihood becomes remote that customers not taking the flight on the scheduled flight date will exercise their right which is normally on expiry of the ticket. Currently, the Company's policy is to write back the unused tickets after two years from the date of travel.
Customer loyalty program	The Company has a program to reward its passengers which is designed to award the frequent flying passengers with free or discounted services. The level of bonus points earned by passengers under the reward program determine the reward their entitled to. Members earns and accumulate points on every flight they make basing on the route travelled. The point accrual base rule is that 2% of face value is collected as Award and as Tier points into member(s) account. Higher Class tickets will bring much more, up to 5-6 times more points to member(s) account. Member points gained are identified as separate performance obligation and are recognized as a Frequent flyer accrual in these consolidated and separate statement of financial position. Points are valid throughout the year they were earned, plus one year.	The member point(s) liability is derecognized from the statement of financial position and recognized as revenue when the points are redeemed or expire. Currently, yearly redemption of member's points is considered low and based on materiality consideration the Company does not perform analysis for estimating redemption rate of loyalty points at each reporting rate.

(b) Financial instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

i. Recognition and measurement

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

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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial instruments (Continued)

i. Recognition and measurement (Continued)

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

ii. Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets - Business model assessment

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

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

ii. Classification and subsequent measurement (Continued)

Financial assets - Business model assessment (Continued)

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

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

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

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

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

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

During the year, the Group and Company had no financial assets that are carried at fair value (2022: None).

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

ii. Classification and subsequent measurement (Continued)

Financial liabilities - Classification, subsequent measurement and gains and losses

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

iii. Impairment of financial assets and contract assets

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

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

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

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise.
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days for credit customers. Any amount not received beyond 90 days for trade receivables is considered to be in default. The Company considers reasonable and supportable forward-looking information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment. Example of micro economic factors considered include changes in inflation rate, GDP rate and interest rates.

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

iv. Derecognition

Financial assets

The Company derecognises a financial asset when:

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Financial Instruments (Continued)

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

Financial liabilities

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

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

v. Offsetting

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the income statement within 'Finance costs'.

(d) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Inventories

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

(f) Property and equipment

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

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

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

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

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

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

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

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

(g) Intangible assets – Computer software

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

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

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

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of non-financial assets

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

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

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

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

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

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less and subject to an insignificant risk of changes in value.

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

(j) Employee benefits

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

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

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

(k) Finance income and expenses

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

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Dividends

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

(m) Provisions

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

(n) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

(o) Segment reporting

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

(p) Taxation

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

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the reporting date. The current rate of corporation tax is 30% (December 2022: 30%).

Deferred tax

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

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

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

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Taxation (Continued)

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

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

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

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

Value added tax

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

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

Tax exposure

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

(r) Basic and diluted earnings per share

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

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

(s) Relevant new standards, amendments and interpretations

(i) Standards that became effective during the year

The following amended standards and interpretations became effective during the year and had no material impact on the disclosure of the Company's financial statement:

	Standard/Interpretation	Effective date
IFRS 17	<i>Insurance Contracts</i>	1 January 2023
IAS 1 amendment	<i>Classification of liabilities as current or non-current</i>	1 January 2023
IAS 8 amendment	<i>Definition of Accounting Estimates</i>	1 January 2023
IAS 1 and IFRS Practice Statement 2 amendment	<i>Disclosure Initiative: Accounting Policies</i>	1 January 2023
IAS 12 amendment	<i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>	1 January 2023

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(s) Relevant new standards, amendments and interpretations (Continued)

(ii) Standards that are not yet effective (Continued)

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2023 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory. The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements except for IFRS 18.

IFRS10 and IAS 28 amendment	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred indefinitely
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
IFRS 18 — Presentation and Disclosure in Financial Statements	IFRS 18 includes requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	1 January 2027
IFRS 19 — Subsidiaries without Public Accountability: Disclosures	IFRS 19 enables subsidiaries to keep only one set of accounting records—to meet the needs of both their parent company and the users of their financial statements and reduces disclosure requirements.	1 January 2027
Amendments to IAS 1 Presentation of Financial Statements	Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures	Supplier Finance Arrangements	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability	related Financial Information	1 January 2024
IFRS S2 Climate	related Disclosures	1 January 2024

IFRS 18 — Presentation and Disclosure in Financial Statements

On 9 April 2024 the IASB issued IFRS 18 Presentation and disclosure in financial statements and is effective for periods beginning on or after 1 January 2027.

IFRS 18 aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information. Certain "non-GAAP" measures, also referred to as management performance measures (MPMs), will form part of the audited financial statements. IFRS 18 introduces a newly defined "operating profit" requirement for all income and expenses to be classified into three new distinct categories based on the Company's main business activities: operating, investing, and financing categories. Investing and financing results are excluded from operating profit.

IFRS 18 requires the Company to analyse its expenses directly on the face of the statement of profit or loss and other comprehensive income, either by nature, function or on a mixed basis. IFRS 18 also requires certain MPMs to be presented. It defines MPMs as a subtotal of income and expenses that: - is used in public communications outside the financial statements; and - communicates management's view of financial performance. For each MPM presented, the Company will need to explain in a note to the financial statements why the measure provides useful information and how it is calculated, and to reconcile it to an amount determined under IFRS Accounting Standards.

The new standard also includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether material information is included in the primary financial statements or is further disaggregated in the notes.

The Company is still assessing the potential impact on the amounts and disclosures in the Company's financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Leases

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

Leases in which the Group is a lessee

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

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Leases (Continued)

COVID-19-related rent concessions

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

Leases in which the Group is a lessor

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

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

5 FINANCIAL RISK MANAGEMENT

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

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

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

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

a. Liquidity risk

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

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

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Liquidity risk (Continued)

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

	Carrying amount TZS' 000	Un-discounted contractual cash flows TZS' 000	On Demand TZS'000	Within 1 year TZS' 000	1 to 5 years TZS' 000
GROUP					
As at 31 December 2023					
Non-derivative financial liabilities					
Borrowings	435,307,593	435,307,593	435,307,593	-	-
Trade and other payables*	111,986,044	111,986,044	-	111,986,044	-
Lease liability	3,307,600	3,600,598	-	974,835	2,625,763
	550,601,237	550,894,235	435,307,593	112,960,879	2,625,763
Non-derivative financial assets					
Trade and other receivables	7,723,664	7,723,664	-	7,723,664	-
Other financial assets	2,828,664	2,828,664	-	2,828,664	-
Cash and cash equivalents	8,566,625	8,566,625	-	8,566,625	-
	19,118,953	19,118,953	-	19,118,953	-
Liquidity Gap	531,482,284	531,775,282	435,307,593	93,841,926	2,625,763
As at 31 December 2022					
Non-derivative financial liabilities					
Borrowings	398,013,680	398,013,680	398,013,680	-	-
Bank overdrafts	879,543	879,543	-	879,543	-
Trade and other payables*	17,205,423	17,205,423	-	17,205,423	-
Lease liability	3,402,844	4,153,096	-	832,697	3,320,399
	419,501,490	420,251,742	398,013,680	18,917,663	3,320,399
Non-derivative financial assets					
Trade and other receivables	18,570,043	18,570,043	-	18,570,043	-
Other financial assets	1,442,577	1,442,577	-	1,442,577	-
Cash and cash equivalents	8,695,082	8,695,082	-	8,695,082	-
	28,707,702	28,707,702	-	28,707,702	-
Liquidity Gap	390,793,788	391,544,040	398,013,680	(9,790,039)	3,320,399

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Liquidity risk (Continued)

	Carrying amount TZS' 000	Un-discounted Contractual cash flows TZS' 000	On Demand TZS'000	Within 1 year TZS' 000	1 to 5 years TZS' 000
COMPANY					
As at 31 December 2023					
Non-derivative financial liabilities					
Borrowings	435,307,593	435,307,593	435,307,593	-	-
Trade and other payables*	111,986,044	111,986,044	-	111,986,044	-
Lease liability	3,307,600	3,600,598	-	966,332	2,341,268
	550,601,237	550,894,235	435,307,593	112,952,376	2,341,268
Non-derivative financial assets					
Trade and other receivables	7,723,664	10,257,251	-	10,257,251	-
Other financial assets	2,828,664	2,828,664	-	2,828,664	-
Cash and cash equivalents	8,566,625	8,566,625	-	8,566,625	-
	19,118,953	21,652,540	-	21,652,540	-
Liquidity Gap	531,482,284	529,241,695	435,307,593	91,299,836	2,341,268
As at 31 December 2022					
Non-derivative financial liabilities					
Borrowings	398,013,680	398,013,680	398,013,680	-	-
Bank overdrafts	879,543	879,543	-	879,543	-
Trade and other payables*	17,205,423	17,205,423	-	17,205,423	-
Lease liability	3,402,844	4,153,096	-	832,697	3,320,399
	419,501,490	420,251,742	398,013,680	18,917,663	3,320,399
Non-derivative financial assets					
Trade and other receivables	18,570,043	21,103,630	-	21,103,630	-
Other financial assets	1,442,577	1,442,577	-	1,442,577	-
Cash and cash equivalents	8,695,082	8,695,082	-	8,695,082	-
	28,707,702	31,241,289	-	31,241,289	-
Liquidity Gap	390,793,788	389,010,453	398,013,680	(12,323,626)	3,320,399

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Liquidity risk (Continued)

The Group and Company has defaulted on its debt obligations as stipulated in the debt agreements resulting in debts amounting to TZS 435.3 billion (2022: TZS 398 billion) being due on demand (See Note 25). Because of this default, the inability of the Group and Company to generate cash that would be sufficient to settle arrears and instalment payments as per the debt agreements (refer to "Key sources of uncertainties in the plans to mitigate the going concern risk" on Note 3 (c)) and the on-going discussions with the lenders on possible rescheduling of the borrowings, there is no reliable basis for developing a reliable liquidity risk profile for borrowings.

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

b. Market risk

I. Foreign currency risk

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

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

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

	Increase/ decrease in the value	Effect on profit or loss TZS'000	Effect On equity, net of tax TZS'000
<u>Group and Company</u>			
Net effect resulting from borrowings, receivables, cash and cash equivalents, and payables on the statement of financial position as at 31 December 2023	9%	47,790,476	33,453,333
Net effect resulting from borrowings, receivables, cash and cash equivalents, and payables on the statement of financial position as at 31 December 2022	9%	43,119,745	30,183,822

II. Interest rate risk

The Group has adopted a non- speculative approach to the management of interest rate risk. For the past twelve months, there have been no changes in interest rates obtained by the Group from its Bankers for its borrowings. Furthermore, the group did not receive any new facility in last 12 months and the interest rate is not expected to change for the existing loans.

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

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

	Increase/de crease in interest rate	Effect on profit or loss TZS' 000	Effect on equity TZS' 000
<u>Group and Company</u>			
Net effect based on statement of financial position as at 31 December 2023	1%	410,792	287,554
Net effect based on statement of financial position as at 31 December 2022	1%	300,832	210,582

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Market risk (Continued)

III. Fuel price risk

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

To meet this objective, the Group and Company negotiate jet fuel prices with suppliers at the beginning of every month and the price will remain fixed throughout the specified month which completely offset the fuel price risk. However, to cover for a continuous fuel price increase the Group and Company adjust the fuel surcharge rate upwards to cover for the increases. The fuel surcharges included on tickets changes from time to time and differs from route to route depending on the market conditions.

c. Credit risk management

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

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

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

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

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

Maximum exposure

The amount that best represents the Group's maximum exposure to credit risk at 31 December 2023 is made up as follows:

	Group		Company	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS'000	TZS'000	TZS'000	TZS'000
Cash and cash equivalents*	8,566,625	8,695,082	8,566,625	8,695,082
Other financial assets	2,828,664	1,442,577	2,828,664	1,442,577
Trade and other receivables**	7,723,664	18,570,043	7,723,664	18,570,043
	<u>19,118,953</u>	<u>28,707,702</u>	<u>19,118,953</u>	<u>28,707,702</u>

*Excludes petty cash.

**Excludes advances to suppliers

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

i. Impairment of aircraft

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

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

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

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

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

The specific assumptions considered during the year are;

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

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

Included in property and equipment are three (2) aircraft (ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a carrying value before impairment of TZS 15.3 billion that are currently unutilized as a result of defective engines. Impairment assessment on these aircraft has been conducted with reference to their soft market half-life prices as at 31 December 2023. Together with these two aircraft, other aircraft were also subjected to impairment assessment and no additional impairment was recognised during the year (2022: Nil).

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

ii. Unused ticket revenue

Unused ticket revenue i.e., passenger ticket writeback revenue is recognised as revenue using estimates regarding the timing of recognition based on terms and conditions of the ticket and historical claiming trends. Tickets that remain unused for a period exceeding 24 months are recognised in the statement of profit or loss.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

ii. *Unused ticket revenue*

The determination of the period over which the passengers will not claim back for their tickets or refunds is considered to be a critical estimate by management. The income statement impact of the unused tickets writeback is disclosed under Note 7 of the financial statements.

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

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

iv. *Income taxes*

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

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

v. *Going concern*

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

7 REVENUE

A. *Revenue streams*

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

	Group	Group	Company	Company
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
Passenger related revenue	133,778,175	116,798,902	133,778,175	116,798,902
Freight and mail	904,434	868,106	904,434	868,106
	<u>134,682,609</u>	<u>117,667,008</u>	<u>134,682,609</u>	<u>117,667,008</u>

B. *Disaggregation of revenue from contracts with customers*

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

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

7 REVENUE (CONTINUED)

	Group	Group	Company	Company
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
Major products/service lines				
Passenger revenue	110,272,624	94,214,855	110,272,624	94,214,855
Passenger Interline revenue	15,198	-	15,198	-
Freight and mail	904,434	868,106	904,434	868,106
Cancellation income	878,848	922,508	878,848	922,508
No show and other charges	1,385,194	1,534,090	1,385,194	1,534,090
Fuel Surcharge	18,891,403	16,323,248	18,891,403	16,323,248
Passenger tickets writeback	2,334,908	3,804,201	2,334,908	3,804,201
	134,682,609	117,667,008	134,682,609	117,667,008

Primary geographical markets

Domestic routes	93,286,318	85,820,131	93,286,318	85,820,131
Regional routes	41,396,291	31,846,877	41,396,291	31,846,877
	134,682,609	117,667,008	134,682,609	117,667,008

C. Contract balances

	Group	Group	Company	Company
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
Receivables:				
Trade and other receivables	7,723,664	18,570,043	7,723,664	18,570,043
Contract liabilities*				
Sales in advance of carriage	19,269,598	14,977,262	19,269,598	14,977,262
Trade and other payables	1,937	75,066	1,937	75,066
	19,271,535	15,052,328	19,271,535	15,052,328

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

*The contract liabilities primarily relate to the advance consideration received from customers for air transportation or freight carriage for which revenue has not been recognised yet i.e., Unused tickets and to the unredeemed customer loyalty points. The sales in advance of carriage as at 31 December 2023 amount to TZS 19.2 billion (31 December 2022: TZS 14.9 billion). The amount of unredeemed customer loyalty points amounts to TZS 1.9 million (31 December 2022: TZS 75 million) and it is included in 'Trade and other payables' line item. This will be recognised as revenue when the points are redeemed by customers as per IFRS 15, which is expected to occur over the next two years. Similar to customer loyalty, sale in advance of carriage is also expected to be recognised over the next two years.

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

8 COST OF SALES

	Group	Group	Company	Company
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
Fuel and oil	27,182,557	29,595,268	27,182,557	29,595,268
Short term leases of aircraft engines	11,902,314	5,802,670	11,902,314	5,802,670
Aircraft landing, handling, and navigation	10,357,673	10,016,720	10,357,673	10,016,720
Aircraft maintenance	12,451,689	11,585,943	12,451,689	11,585,943
Depreciation of aircraft and aircraft components	17,379,961	23,086,005	17,379,961	23,086,005
Passenger services	6,376,658	2,233,894	6,376,658	2,233,894
Commission on sales	2,408,890	2,446,090	2,408,890	2,446,090
Aircraft, passengers, and cargo insurance	2,904,581	1,113,600	2,904,581	1,113,600
Crew route expenses	159,365	1,166,268	159,365	1,166,268
Centralised reservation systems	12,034,161	10,644,080	12,034,161	10,644,080
Salaries and wages	14,420,269	11,855,669	14,420,269	11,855,669
Other employment costs	1,743,209	891,875	1,743,209	891,875
Contribution to pension fund	1,284,108	1,036,716	1,284,108	1,036,716
Aircraft cleaning and certification	347,713	240,028	347,713	240,028
	120,953,148	111,714,826	120,953,148	111,714,826

9 OTHER INCOME

	Group	Group	Company	Company
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
Gain on disposal of property and equipment	-	580,417	-	580,417
Third party maintenance	1,114,503	1,091,464	1,114,503	1,091,464
Other income	176,618	81,009	176,618	81,009
	1,291,121	1,752,890	1,291,121	1,752,890

10 MARKETING EXPENSES

	Group	Group	Company	Company
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
Advertising and publicity	1,768,059	1,610,787	1,768,059	1,610,787
	1,768,059	1,610,787	1,768,059	1,610,787

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

11 ADMINISTRATIVE EXPENSES

	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
Salaries and wages	6,423,392	5,906,441	6,423,392	5,906,441
Other employment costs	1,647,566	1,497,210	1,647,566	1,497,210
Contribution to pension fund	554,146	485,672	554,146	485,672
Payroll levies	247,478	237,989	247,478	237,989
Audit fees	272,050	271,440	272,050	271,440
Bank charges	111,737	136,570	111,740	136,570
Motor vehicle expenses	1,332,061	1,121,861	1,332,061	1,121,861
Legal and professional fees	392,737	102,277	392,737	102,277
Maintenance and supplies	1,462,625	909,462	1,462,625	909,462
General specified expenses*	1,377,422	(10,338,754)	1,377,422	(10,338,754)
Board meeting expenses	46,875	27,559	46,875	27,559
Amortization of intangible assets	21,669	192,176	21,669	10,692
Depreciation-motor vehicles, structure, computers, furniture, and equipment	1,484,652	1,886,729	1,484,652	1,886,729
Loss on disposal of Property, Plant and Equipment	607,914	-	607,914	-
	<u>15,982,324</u>	<u>2,436,632</u>	<u>15,982,327</u>	<u>2,255,148</u>

General specified expenses include a release of over-accrued tax liabilities (interest & penalties) of TZS 11.9 billion made after tax audit and assessments for the year 2019 to 2022.

12 FINANCE COSTS

Interest on debts and borrowings	18,584,053	17,960,382	18,584,053	17,960,382
Interest on overdraft	54,588	135,026	54,588	135,026
Finance costs on lease liability	244,355	279,291	244,355	279,291
	<u>18,882,996</u>	<u>18,374,699</u>	<u>18,882,996</u>	<u>18,374,699</u>

13 NET FOREIGN EXCHANGE LOSS

Realised foreign exchange loss	1,584,369	(16,730)	1,584,369	(16,730)
Unrealised foreign exchange loss	34,006,889	1,363,239	34,006,889	1,363,239
	<u>35,591,258</u>	<u>1,346,509</u>	<u>35,591,258</u>	<u>1,346,509</u>

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

14 NON- CONTROLLING INTEREST

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

	31 December 2023			31 December 2022		
	PHL	PSL	Total	PHL	PSL	Total
NCI percentage	0.10%	1.00%		0.10%	1.00%	
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Non-current assets	-	-	-	-	-	-
Current liabilities	(1,755,453)	-	(1,755,453)	(1,755,453)	-	(1,755,453)
Net (liabilities)	(1,755,453)	-	(1,755,453)	(1,755,453)	-	(1,755,453)
Net (liabilities)/assets attributable to NCI	(1,557)	-	(1,557)	(1,815)	258	(1,557)
Revenue	-	-	-	-	(181,738)	(181,738)
Loss for the year	-	-	-	-	(181,738)	(181,738)
Total comprehensive income	-	-	-	-	(1815)	(1815)
Loss allocated to NCI						
Net cash flows from operating activities	-	-	-	-	(1815)	(1815)
Net decrease in cash and cash equivalents	-	-	-	-	(181,738)	(181,738)

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023 (CONTINUED)

15 PROPERTY AND EQUIPMENT

GROUP	Aircraft TZS '000	Motor Vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress TZS '000	Right of Use Asset (ROU)	Total TZS '000
Cost:							
At 1 January 2023	305,449,163	1,891,192	2,675,684	14,734,370	307,450	5,806,223	330,864,082
Additions	12,155,278	46,195	356,258	309,023	407,574	-	13,274,328
(Disposal)/Lease remeasurement	(3,087,666)	-	-	-	-	95,300	(2,992,366)
Transfer from work In progress	-	-	670,091	-	(670,091)	-	-
At 31 December 2023	314,516,775	1,937,387	3,702,033	15,043,393	44,933	5,901,523	341,146,044
Depreciation and impairment:							
At 1 January 2023	263,691,490	1,760,277	2,237,855	5,976,692	-	2,758,159	276,424,473
Depreciation charge for the year	17,379,961	78,765	223,538	622,357	-	559,992	18,864,613
Disposal	(2,479,752)	-	-	-	-	-	(2,479,752)
At 31 December 2023	278,591,699	1,839,042	2,461,393	6,599,049	-	3,318,151	292,809,334
Carrying amount							
At 31 December 2023	35,925,076	98,345	1,240,640	8,444,344	44,933	2,583,372	48,336,710
At 31 December 2022	41,757,673	130,915	437,829	8,757,678	307,450	3,048,064	54,439,609

Refer to Note 25 and Note 26 for assets pledged as security. All aircraft and aircraft components are pledged as security to Citibank International Plc, Finnfund Industrial Co-operation, and Export Development Canada (EDC) for loans as explained in Note 25.

Included in property and equipment are two (2) grounded aircraft (ATR 42-600 5H-PWH and ATR 42-600 5H-PWH) with a net book value of TZS 15.3 billion (2022: TZS 17.8 billion) before impairment. The aircraft are currently unutilized as a result of defective engines. Management is in the process of reviving the two aircraft to bring the back in operation.

At the end of the year, the Company entity had assets worth TZS 7 billion (31 December 2022: TZS 3.2 billion) plant and equipment that were fully depreciated but still in use with notional depreciation of TZS 1.6 billion (2022: TZS 838 million).

Work in progress include storage backup delivered as part of the project of upgrading company servers.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2023 (CONTINUED)

PROPERTY AND EQUIPMENT (CONTINUED)

15

GROUP	Aircraft TZS '000	Motor vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress TZS '000	Right of use Asset (ROU) TZS '000	Total TZS '000
Cost:							
At 1 January 2022	357,727,690	1,495,164	3,273,117	17,020,290	-	6,371,485	385,887,746
Additions	7,835,999	35,700	377,091	50,462	307,450	123,376	8,730,078
Disposal/Lease remeasurement	(52,595,202)	-	-	-	-	(669,149)	(53,264,351)
Reclassification of assets*	(7,519,323)	360,328	(974,524)	(2,336,382)	-	(19,489)	(10,489,390)
At 31 December 2022	305,449,164	1,891,192	2,675,684	14,734,370	307,450	5,806,223	330,864,083
Depreciation and impairment:							
At 1 January 2022	312,562,851	1,428,891	2,887,605	7,755,235	-	2,188,293	326,822,875
Depreciation charge for the year	23,086,005	120,786	133,167	1,043,419	-	589,356	24,972,733
Disposal	(42,677,604)	-	-	-	-	-	(42,677,604)
Impairment*	(21,729,103)	-	-	-	-	-	(21,729,103)
Reclassification of assets*	(7,550,659)	210,601	(782,917)	(2,821,962)	-	(19,491)	(10,964,428)
At 31 December 2022	263,691,490	1,760,278	2,237,855	5,976,692	-	2,758,158	276,424,473
Carrying amount							
At 31 December 2022	41,757,674	130,914	437,829	8,757,678	307,450	3,048,065	54,439,610
At 31 December 2021	45,164,839	66,273	385,512	9,265,055	-	4,183,192	59,064,871

Refer to Note 25 and Note 26 for assets pledged as security. All aircraft and aircraft components are pledged as security to Citibank International Plc, Finnfund Industrial Co-operation and Export Development Canada (EDC) for loans as explained in Note 25.

Included in property and equipment are three (3) grounded aircraft (ATR 42-320 5H-PAG, ATR 42-600 5H-PWH and ATR 42-600 5H-PWI) with a net book value of TZS 17.8 billion (2021: TZS 21.8 billion) before impairment. The aircraft are currently unutilized as a result of defective engines. Management is in the process of reviving these two aircraft to be added in the operating fleet.

At the end of the year, the Company entity had assets worth TZS 3.2 billion (31 December 2021: TZS 3.2 billion) plant and equipment that were fully depreciated but still in use with notional depreciation of TZS 838 million (2021: TZS 838 million). Work in progress include storage backup delivered at year end as part of the project of upgrading company servers.

Reclassification of assets was made to tangible and intangible assets between groups of non-current assets, the reclassifications did not result in changes to the carrying amounts of the individual assets. Management has assessed and determined that the reclassifications were necessary so as to match the non-current asset disclosure to the asset register.

* The company released impairment amounting to TZS 21.7 billion for the aircraft which their carrying amount was less than the previously recognised impairment. This was due to change of management decision to revamp and operate the grounded aircraft which resulted to change in estimates used to determine asset's recoverable amounts. The reversed impairment loss did not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023 (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY	Aircraft TZS '000	Motor Vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress TZS '000	Right of Use Asset (ROU)	Total TZS '000
<u>Cost:</u>							
At 1 January 2023	305,449,163	1,891,192	2,675,684	14,734,370	307,450	5,806,223	330,864,082
Additions	12,155,278	46,195	1,026,349	309,023	407,574	-	13,944,419
Disposal/Lease remeasurement	(3,087,666)	-	-	-	-	95,300	(2,992,366)
Transfer from work in progress	-	-	-	-	(670,091)	-	(670,091)
At 31 December 2023	314,516,775	1,937,387	3,702,033	15,043,393	44,933	5,901,523	341,146,044
<u>Depreciation and impairment:</u>							
At 1 January 2023	263,691,490	1,760,277	2,237,855	5,976,692	-	2,758,159	276,424,474
Depreciation charge for the year	17,379,961	78,765	223,538	622,357	-	559,992	18,864,613
Disposal	(2,479,752)	-	-	-	-	-	(2,479,752)
At 31 December 2023	278,591,699	1,839,042	2,461,393	6,599,049	-	3,318,151	292,809,335
<u>Carrying amount</u>							
At 31 December 2023	35,925,076	98,345	1,240,640	8,444,344	44,933	2,583,372	48,336,709
At 31 December 2022	41,757,673	130,915	437,829	8,757,678	307,450	3,048,064	54,439,609

Refer to Note 25 and Note 26 for assets pledged as security. All aircraft and aircraft components are pledged as security to Citibank International Plc, Finnfund Industrial Co-operation and Export Development Canada (EDC) for loans as explained in Note 25.

Included in property and equipment are two (2) grounded aircraft (ATR 42-600 5H-PWH and ATR 42-600 5H-PWH) with a net book value of TZS 1.1 billion (2022: TZS 3.6 billion). The aircraft are currently unutilized as a result of defective engines. Management is in the process of reviving the two aircraft to bring the back in operation.

At the end of the year, the Company entity had assets worth TZS 7 billion (31 December 2022: TZS 3.2 billion) plant and equipment that were fully depreciated but still in use with notional depreciation of TZS 1.6 billion (2022: TZS 838 million).

Work in progress include storage backup delivered as part of the project of upgrading company servers.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2023 (CONTINUED)

15

PROPERTY AND EQUIPMENT (CONTINUED)

COMPANY	Aircraft TZS '000	Motor Vehicles TZS '000	Computers TZS '000	Furniture, equipment & structures TZS '000	Work in progress TZS '000	Right of Use Asset (ROU)	Total TZS '000
<u>Cost:</u>							
At 1 January 2022	357,727,690	1,467,369	2,177,402	15,186,197	-	6,371,485	382,930,143
Additions	7,835,999	35,700	377,091	50,462	307,450	123,376	8,730,078
Disposal/Lease remeasurement	(52,595,202)	-	-	-	-	(669,149)	(53,264,351)
Reclassification of assets	(7,519,324)	388,123	121,191	(502,289)	-	(19,489)	(7,531,788)
At 31 December 2022	305,449,163	1,891,192	2,675,684	14,734,370	307,450	5,806,223	330,864,082
<u>Depreciation and impairment:</u>							
At 1 January 2022	312,562,851	1,348,482	2,129,984	5,635,662	-	2,188,293	323,865,272
Depreciation charge for the year	23,086,005	120,786	133,167	1,043,419	-	589,356	24,972,733
Disposal	(42,677,604)	-	-	-	-	-	(42,677,604)
Impairment*	(21,729,103)	-	-	-	-	-	(21,729,103)
Reclassification of assets*	(7,550,659)	291,010	(25,296)	(702,389)	-	(19,492)	(8,006,826)
At 31 December 2022	263,691,490	1,760,278	2,237,855	5,976,692	-	2,758,157	276,424,472

Carrying amount

At 31 December 2022	41,757,673	130,914	437,829	8,757,678	307,450	3,048,066	54,439,610
At 31 December 2021	45,164,839	118,887	47,418	9,550,535	-	4,183,192	59,064,872

*Reclassification of assets was made to tangible and intangible assets between groups of non-current assets; the reclassifications did not result in changes to the carrying amounts of the individual assets. Management has assessed and determined that the reclassifications were necessary to match the non-current asset disclosure to the asset register.

*The company released impairment amounting to TZS 21.7 billion for the aircraft which their carrying amount was less than the previously recognised impairment. This was due to change of management decision to revamp and operate the grounded aircraft which resulted to change in estimates used to determine asset's recoverable amounts.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

16 INTANGIBLE ASSETS

	<u>Computer software</u> TZS '000	<u>Work in progress</u> TZS '000	<u>Total</u> TZS '000
GROUP			
<u>Cost</u>			
At 1 January 2023	2,444,019	227,382	2,671,401
Additions	15,839	-	15,839
Transfer from work in progress	227,382	(227,382)	-
At 31 December 2023	2,687,240	-	2,687,240
<u>Accumulated amortisation</u>			
At 1 January 2023	2,409,078	-	2,409,078
Charge for the year	21,669	-	21,669
At 31 December 2023	2,430,747	-	2,430,747
Carrying amount	256,493	-	256,493
<u>Cost</u>			
At 1 January 2022	2,415,264	112,881	2,528,145
Additions	50,605	114,501	165,106
Reclassification of assets	(21,850)	-	(21,850)
At 31 December 2022	2,444,019	227,382	2,671,401
<u>Accumulated amortisation</u>			
At 1 January 2022	1,763,715	-	1,763,715
Charge for the year	192,176	-	192,176
Reclassification of assets*	453,187	-	453,187
At 31 December 2022	2,409,078	-	2,409,078
Carrying amount	34,941	227,382	262,323

*Reclassification of assets was made to tangible and intangible assets between groups of non-current assets; the reclassifications did not result in changes to the carrying amounts of the individual assets. Management has assessed and determined that the reclassifications were necessary to match the non-current asset disclosure to the asset register.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

16 INTANGIBLE ASSETS (CONTINUED)

	<u>Computer software</u> TZS '000	<u>Work in progress</u> TZS '000	<u>Total</u> TZS '000
COMPANY			
Cost			
At 1 January 2023	2,189,856	227,382	2,417,238
Additions	15,839	-	15,839
Transfer from work in progress	227,382	(227,382)	-
At 31 December 2023	2,433,077	-	2,433,077
<u>Accumulated amortisation</u>			
At 1 January 2023	2,155,189	-	2,155,189
Charge for the year	21,669	-	21,669
At 31 December 2023	2,176,858	-	2,176,858
Carrying amount	256,219	-	256,219
<u>Cost</u>			
At 1 January 2022	2,161,101	112,881	2,273,982
Additions	50,605	114,501	165,106
Reclassification of assets*	(21,850)	-	(21,850)
At 31 December 2022	2,189,856	227,382	2,417,238
<u>Accumulated amortisation</u>			
At 1 January 2022	1,691,311	-	1,691,311
Charge for the year	10,692	-	10,692
Reclassification of assets*	453,186	-	453,186
At 31 December 2022	2,155,189	-	2,155,189
Carrying amount	34,667	227,382	262,049

*Reclassification of assets was made to tangible and intangible assets between groups of non-current assets; the reclassifications did not result in changes to the carrying amounts of the individual assets. Management has assessed and determined that the reclassifications were necessary to match the non-current asset disclosure to the asset register.

17 INVESTMENT IN SUBSIDIARIES

The carrying amounts of the Company's investments in its subsidiaries, Precision Handling Limited and Precise Systems Limited as at 31 December 2023 are summarised below.

	31 December 2023			31 December 2022		
	Cost TZS'000	Impairment TZS'000	Carrying amount TZS'000	Cost TZS'000	Impairmen t TZS'000	Carrying amount TZS'000
Precision Handling Limited	1,000,000	(1,000,000)	-	1,000,000	(1,000,000)	-
Precise Systems Limited	10,000	(10,000)	-	10,000	(10,000)	-
	<u>1,010,000</u>	<u>(1,010,000)</u>	<u>-</u>	<u>1,010,000</u>	<u>(1,010,000)</u>	<u>-</u>

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

17 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The financial information of the subsidiaries for the year ended 31 December 2023 is as summarised below.

	<u>Total assets</u> TZS '000	<u>Total liabilities and equity</u> TZS '000	<u>Revenue</u> TZS '000	<u>Expenses</u> TZS '000
<u>Year ended 31 December 2023</u>				
Precision Handling Limited	-	-	-	-
Precise Systems Limited	431.5	(431.5)	-	-
<u>Period ended 31 December 2022</u>				
Precision Handling Limited	-	-	-	-
Precise Systems Limited	274	(274)	-	181,484

18 OTHER FINANCIAL ASSETS

	<u>Group</u> <u>31 Dec 2023</u>	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
IATA security deposit	1,376,060	1,321,091	1,376,060	1,321,091
Rent security deposits	2,088	2,088	2,088	2,088
DPO Security deposit	353,350	110,255	353,350	110,255
Credit card security deposit	-	9,143	-	9,143
Aircraft security deposit	1,097,166	-	1,097,166	-
	<u>2,828,664</u>	<u>1,442,577</u>	<u>2,828,664</u>	<u>1,442,577</u>
Current portion	2,828,664	1,442,577	2,828,664	1,442,577
Non-current portion	-	-	-	-
	<u>2,828,664</u>	<u>1,442,577</u>	<u>2,828,664</u>	<u>1,442,577</u>

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

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

The movement in deposit is as follows:

	<u>Group</u> <u>31 Dec 2023</u> TZS '000	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
At start of the year	1,442,577	3,683,125	1,442,577	3,683,125
Additional deposit	3,417,055	1,014,565	3,417,055	1,014,565
Release of deposits	(2,118,898)	(3,161,800)	(2,118,898)	(3,161,800)
Foreign exchange gain/losses	87,930	(93,313)	87,930	(93,313)
At the end of the year/year	<u>2,828,664</u>	<u>1,442,577</u>	<u>2,828,664</u>	<u>1,442,577</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

19 INVENTORY

	<u>Group</u> <u>31 Dec 2023</u> TZS '000	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
Aircraft spare parts	12,752,275	11,485,507	12,752,275	11,485,507
Fuel and stationeries	229,690	143,767	229,690	143,767
Stock provisions	<u>(622,874)</u>	<u>(1,321,754)</u>	<u>(622,874)</u>	<u>(1,321,754)</u>
	<u>12,359,091</u>	<u>10,307,520</u>	<u>12,359,091</u>	<u>10,307,520</u>

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

	<u>Group</u> <u>31 Dec 2023</u> TZS '000	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
Balance as at 1 January	(1,321,755)	(2,173,913)	(1,321,755)	(2,173,913)
Release of provision during the year	<u>698,881</u>	<u>852,158</u>	<u>698,881</u>	<u>852,158</u>
	<u>(622,874)</u>	<u>(1,321,755)</u>	<u>(622,874)</u>	<u>(1,321,755)</u>

During the year ended 31 December 2023, inventories of TZS 12.4 billion (December 2022: TZS 11.6 billion) were recognised as expenses and are included in the cost of sales line item.

20 TRADE AND OTHER RECEIVABLES

	<u>Group</u> <u>31 Dec 2023</u> TZS '000	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
Trade receivables - third party	10,136,067	10,446,478	10,136,067	10,446,478
Insurance compensation receivable*	-	10,498,015	-	10,498,015
Allowance for credit losses	<u>(2,541,921)</u>	<u>(2,533,587)</u>	<u>(2,541,921)</u>	<u>(2,533,587)</u>
Net receivables – third-party	7,594,146	18,410,906	7,594,146	18,410,906
Staff advances and imprest	129,518	159,137	129,518	159,137
Allowances for credit losses - other debtors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net other receivables	<u>129,518</u>	<u>159,137</u>	<u>129,518</u>	<u>159,137</u>
Net trade and other receivables	<u>7,723,664</u>	<u>18,570,043</u>	<u>7,723,664</u>	<u>18,570,043</u>

Movement in allowance for credit losses:

At start of year:	2,533,587	3,844,752	2,533,587	3,844,752
Increase/(decrease) of Impairment during the year	177,123	(248,970)	177,123	(248,970)
Release of impairment	<u>(168,789)</u>	<u>(1,062,195)</u>	<u>(168,789)</u>	<u>(1,062,195)</u>
At end of the year	<u>2,541,921</u>	<u>2,533,587</u>	<u>2,541,921</u>	<u>2,533,587</u>

*The amount relates to the approved compensation from Marsh McLennan Insurance Company, the insurer for the crashed aircraft, which was yet to be settled as at the year end. The amount was settled after the year end through direct payment to the aircraft lenders.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

20 TRADE AND OTHER RECEIVABLES (CONTINUED)

The aging of trade receivable at the financial reporting date was as follows:

	<u>Loss Rates</u>	<u>Group</u> <u>31 Dec 2023</u> <u>TZS '000</u>	<u>Group</u> <u>31 Dec</u> <u>2022</u> <u>TZS '000</u>	<u>Company</u> <u>31 Dec 2023</u> <u>TZS '000</u>	<u>Company</u> <u>31 Dec 2022</u> <u>TZS '000</u>
Current		3,240,212	13,249,836	3,240,212	13,249,836
31-60 Days overdue	0%	6,476,362	6,761,731	6,476,362	6,761,731
61-90 Days overdue	0%	27,877	402,873	27,877	402,873
91 to 120 Days overdue	100%	-	70,930	-	70,930
Over 120 Days overdue	100%	391,616	459,123	391,616	459,123
		<u>10,136,067</u>	<u>20,944,493</u>	<u>10,136,067</u>	<u>20,944,493</u>
Provision for Impairment (IFRS 9)		<u>(2,541,921)</u>	<u>(2,533,587)</u>	<u>(2,541,921)</u>	<u>(2,533,587)</u>
		<u>7,594,146</u>	<u>18,410,906</u>	<u>7,594,146</u>	<u>18,410,906</u>

No collateral is held for the trade and other receivables.

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

	<u>Group</u> <u>31 Dec 2023</u> <u>TZS '000</u>	<u>Group</u> <u>31 Dec 2022</u> <u>TZS '000</u>	<u>Company</u> <u>31 Dec 2023</u> <u>TZS '000</u>	<u>Company</u> <u>31 Dec 2022</u> <u>TZS '000</u>
United States Dollars	3,073,972	5,756,763	3,073,972	5,756,763
Euro	1,487,903	89,589	1,487,903	89,589
Sterling Pound	247,653	280,996	247,653	280,996
Canadian Dollars	77,792	146,741	77,792	146,741
South African Rand	321,322	583,754	321,322	583,754
Kenya Shillings	173,940	145,604	173,940	145,604
	<u>5,382,582</u>	<u>7,003,447</u>	<u>5,382,582</u>	<u>7,003,447</u>

21 PREPAYMENTS

Advances to suppliers	1,726,512	829,526	1,726,512	829,526
Insurance	107	26	107	26
Spare parts	1,668	96,655	1,668	96,655
Other	37,630	44,363	37,630	44,363
	<u>1,765,917</u>	<u>970,570</u>	<u>1,765,917</u>	<u>970,570</u>

Prepayments are non-interest bearing and are non-refundable. They are utilised when the goods are received, or services are rendered.

22 CASH AND CASH EQUIVALENTS

	<u>Group</u> <u>31 Dec 2023</u> <u>TZS '000</u>	<u>Group</u> <u>31 Dec 2022</u> <u>TZS '000</u>	<u>Company</u> <u>31 Dec 2023</u> <u>TZS '000</u>	<u>Company</u> <u>31 Dec 2022</u> <u>TZS '000</u>
Bank balances	4,122,979	5,383,026	4,122,979	5,383,026
Short term deposits	4,443,646	3,312,056	4,443,646	3,312,056
Cash and cash equivalents	8,566,625	8,695,082	8,566,625	8,695,082
Bank overdrafts for cash management purposes	-	(879,543)	-	(879,543)
Cash and cash equivalents in the statement of cashflows	8,566,625	7,815,539	8,566,625	7,815,539

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

22 CASH AND CASH EQUIVALENT (CONTINUED)

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

		Group	Group	Company	Company
		31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
		TZS '000	TZS '000	TZS '000	TZS '000
United States Dollars	USD	5,891,727	5,325,282	5,891,727	5,325,282
Euro	EUR	1,321,806	1,991,641	1,321,806	1,991,641
Kenya Shillings	KES	727,999	492,604	727,999	492,604
		7,941,532	7,809,527	7,941,532	7,809,527

23 INCOME TAX

(a) Corporate tax payable

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

(b) Other tax payable*

At beginning of the year	1,807,408	1,938,365	1,807,408	1,938,365
Payments during the year	(382,511)	(719,292)	(382,511)	(719,292)
AMT charge for the year	673,413	588,335	673,413	588,335
	2,098,310	1,807,408	2,098,310	1,807,408

(c) Tax charge

Current year tax charge	-	-	-	-
Deferred tax charge	-	-	-	-

* This relates to tax payable with respect to alternative minimum taxes.

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

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

	Group	Group	Company	Company
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
(Loss)/profit before income tax	(57,381,178)	5,914,518	(57,381,181)	6,096,002
Tax at applicable rate of 30%	(17,214,353)	1,774,355	(17,214,354)	1,828,801
Tax effect on non-deductible expenses	354,795	201,094	354,795	209,179
Tax effect of non-deductible interest expense	2,492,621	1,502,288	2,492,621	1,546,305
Tax effects on assets reconciliation	(1,145,682)	4,885,392	(1,145,681)	5,035,298
Tax effect on depreciation on reversed impairment loss	-	(6,322,620)	-	(6,515,789)
Tax effect on disposal proceed	-	(3,125,664)	-	(3,212,593)
Deferred tax movement not recognized	15,512,619	1,085,155	15,512,619	1,108,799
Total tax expense/ (credit)	-	-	-	-

PRECISION AIR SERVICES PLC

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

23 INCOME TAX (CONTINUED)

(e) Deferred tax

Group 2023	At 1 Jan 23 TZS '000	Charge/(credit) to P&L TZS '000	At 31 Dec 23 TZS '000
Accelerated capital deductions	5,960,646	(2,769,870)	3,190,776
Provisions	(7,002,112)	(9,050,082)	(16,052,194)
Deferred tax on RoU and lease liability	(453,957)	(153,077)	(607,034)
Deferred tax on restricted interest expense	(1,546,305)	(946,316)	(2,492,621)
Tax losses	(84,845,412)	(2,593,274)	(87,438,686)
Net deferred tax asset	(87,887,140)	(15,512,619)	(103,399,759)
Deferred tax asset not recognised	87,887,140	15,512,619	103,399,759
Net deferred tax (asset)/liability recognised	-	-	-
2022			
Accelerated capital deductions	7,161,015	(1,200,369)	5,960,646
Provisions	(9,560,889)	2,558,777	(7,002,112)
Deferred tax on RoU and lease liability	(226,341)	(227,616)	(453,957)
Deferred tax on restricted interest expense	-	(1,546,305)	(1,546,305)
Tax losses	(84,152,127)	(693,285)	(84,845,412)
Net deferred tax asset	(86,778,342)	(1,108,798)	(87,887,140)
Deferred tax asset not recognised	86,778,342	1,108,798	87,887,140
Net deferred tax (asset)/liability recognised	-	-	-
Company 2023			
Accelerated capital deductions	5,960,646	(2,769,870)	3,190,776
Provisions	(7,002,112)	(9,050,082)	(16,052,194)
Fair Value Adjustment	(453,957)	(153,077)	(607,034)
Deferred Interest Expense	(1,546,305)	(946,316)	(2,492,621)
Tax losses	(84,845,412)	(2,593,274)	(87,438,686)
Net deferred tax asset	(87,887,140)	(15,512,619)	(103,399,759)
Deferred tax asset not recognised	87,887,140	15,512,619	(103,399,759)
Net deferred tax (asset)/liability recognised	-	-	-
2022			
Accelerated capital deductions	7,161,015	(1,200,369)	5,960,646
Provisions	(9,560,889)	2,558,777	(7,002,112)
Deferred tax on RoU and lease liability	(226,341)	(227,616)	(453,957)
Deferred tax on restricted interest expense	-	(1,546,305)	(1,546,305)
Tax losses	(84,152,127)	(693,285)	(84,845,412)
Net deferred tax asset	(86,778,342)	(1,108,798)	(87,887,140)
Deferred tax asset not recognised	86,778,342	1,108,798	87,887,140
Net deferred tax (asset)/liability recognised	-	-	-

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

24 EQUITY

	Group 31 Dec 2023 TZS '000	Group 31 Dec 2022 TZS '000	Company 31 Dec 2023 TZS '000	Company 31 Dec 2022 TZS '000
(a) Share capital				
Authorised: 242,000,000 Ordinary Shares of TZS 20/= each	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>	<u>4,840,000</u>
Issued and fully paid up: 160,472,720 Ordinary Shares of TZS 20/= each	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>	<u>3,209,454</u>
(b) Share premium*	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>	<u>10,490,987</u>

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

The 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
	<u>160,472,720</u>	<u>100.00</u>	<u>3,209,454</u>	<u>160,472,720</u>	<u>100.00</u>	<u>3,209,454</u>

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

25 BORROWINGS

The Company's borrowings are summarised below.

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

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

25 BORROWINGS (CONTINUED)

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

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

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

		<u>Group</u> <u>31 Dec 2023</u> TZS '000	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
Secured bank term loans include:					
Citibank International Plc and Finnfund Industrial Co-operation	(i)	319,057,949	297,725,241	319,057,949	297,725,241
Export Development Canada (EDC)	(ii)	116,249,644	100,288,439	116,249,644	100,288,439
KCB Bank Tanzania Limited	(iii)				
		<u>435,307,593</u>	<u>398,013,680</u>	<u>435,307,593</u>	<u>398,013,680</u>
Non-current		-	-	-	-
Current		<u>435,307,593</u>	<u>398,013,680</u>	<u>435,307,593</u>	<u>398,013,680</u>
Total		<u>435,307,593</u>	<u>398,013,680</u>	<u>435,307,593</u>	<u>398,013,680</u>

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

		<u>Group</u> <u>31 Dec</u> TZS '000	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
Opening balance		398,013,680	381,562,013	398,013,680	381,562,013
Repayment		(4,433,571)	(2,821,078)	(4,433,571)	(2,821,078)
Insurance compensation*		(11,394,323)	-	(11,394,323)	-
Interest expense		18,584,053	17,960,382	18,584,053	17,960,382
Interest paid		-	(1,578)	-	(1,578)
Unrealised exchange loss		<u>34,537,754</u>	<u>1,313,941</u>	<u>34,537,754</u>	<u>1,313,941</u>
Closing balance		<u>435,307,593</u>	<u>398,013,680</u>	<u>435,307,593</u>	<u>398,013,680</u>

*The insurance proceeds were made directly to the lenders and thus has not been presented as a cash inflow for the purposes of the statement of cash flows.

		<u>Group</u> <u>31 Dec 2023</u> TZS '000	<u>Group</u> <u>31 Dec 2022</u> TZS '000	<u>Company</u> <u>31 Dec 2023</u> TZS '000	<u>Company</u> <u>31 Dec 2022</u> TZS '000
26 OVERDRAFT	Average Interest rate				
Secured bank term loans					
KCB Bank Tanzania Limited – US\$	9.00%	-	-	-	-
KCB Bank Tanzania Limited	16.00%	-	879,543	-	879,543
Stanbic Bank Tanzania Limited –TZS	9.50%	-	-	-	-
		<u>-</u>	<u>879,543</u>	<u>-</u>	<u>879,543</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

26 OVERDRAFT (CONTINUED)

KCB Bank Tanzania Limited: Overdraft

There were no overdraft facility arrangements with the financial institutions as at the year end. In prior year, overdrafts were secured by Chattels Mortgage over:

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

27 TRADE AND OTHER PAYABLES

	Group <u>31 Dec 2023</u>	Group <u>31 Dec 2022</u>	Company <u>31 Dec 2023</u>	Company <u>31 Dec 2022</u>
	TZS '000	TZS '000	TZS '000	TZS '000
Trade payables - third parties	15,802,674	12,644,062	15,802,674	12,644,062
Trade payables - related parties (Note 29)	789,699	1,373,516	789,699	1,373,516
Advances from customers	1,015,563	846,868	1,015,563	846,868
Statutory liabilities*	92,695,577	90,307,435	92,695,577	90,307,435
Other accruals	1,684,468	3,187,845	1,684,468	3,187,845
	<u>111,987,981</u>	<u>108,359,726</u>	<u>111,987,981</u>	<u>108,359,726</u>

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

		Group <u>31 Dec 2023</u>	Group <u>31 Dec 2022</u>	Company <u>31 Dec 2023</u>	Company <u>31 Dec 2022</u>
		TZS '000	TZS '000	TZS '000	TZS '000
United States Dollars	USD	10,411,621	8,702,323	10,411,621	8,702,323
Euro	EUR	-	218,342	-	218,342
Great Britain Pound	GBP	175,164	174,276	175,164	174,276
South African Rand	ZAR	43,066	27,781	43,066	27,781
Kenya Shillings	KES	95,800	50,529	95,800	50,529
		<u>10,725,651</u>	<u>9,173,251</u>	<u>10,725,651</u>	<u>9,173,251</u>

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

*The statutory liabilities comprise of Pay as you earn (PAYE), Skills Development levy (SDL), withholding tax, Stamp duty, Value Added Tax (VAT) and departure taxes.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

28 LEASES

See accounting policy in Note 4(v).

A. Leases as lessee

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

- Lease of offices with various vendors. These leases generally have terms of 2 to 5 years with potential extensions. The lease payments are made monthly.
- Lease of hangar with the Government. The remaining lease period is 7 years. The lease payments are made in advance on a semi-annual basis.

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

(i) Right of use assets

Right-of-use assets relate to leased office premises and lease of hangar with the Government that are presented within property and equipment (See Note 15).

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

The movement in lease liability is as follows.

	Group 31 Dec 2023 TZS '000	Group 31 Dec 2022 TZS '000	Company 31 Dec 2023 TZS '000	Company 31 Dec 2022 TZS '000
At the beginning of the year	3,402,844	5,034,924	3,402,844	5,034,924
Lease addition	-	123,376	-	123,376
Interest charge for the year	244,355	279,292	244,355	279,292
Payment of lease: <i>Principal</i>	(244,355)	(279,292)	(244,355)	(279,292)
: <i>Interest</i>	(656,713)	(622,218)	(656,713)	(622,218)
Lease remeasurement	313,991	(1,116,678)	313,991	(1,116,678)
Unrealised exchange loss	247,478	(16,560)	247,478	(16,560)
At end of the year	3,307,600	3,402,844	3,307,600	3,402,844
Split as:				
Current	966,332	835,897	966,332	835,897
Non-current	2,341,268	2,566,947	2,341,268	2,566,947
(iii) Amounts recognised in profit and loss				
Interest charge for the year	244,355	279,292	244,355	279,292
Depreciation on right of use asset	559,992	589,356	559,992	589,356
Short-term leases*	5,802,670	5,802,670	5,802,670	5,802,670
(iv) Amounts recognised in the statement of cashflow				
Total cash outflow for leases	(901,068)	(901,510)	(901,068)	(901,510)

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

PRECISION AIR SERVICES PLC

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28 LEASES (CONTINUED)

(v) Extension options

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

A. Leases as lessor

During the year, there were no agreements where the Group or Company was a lessor (2022: None).

29 RELATED PARTY DISCLOSURES

	Group 31 Dec 2023 TZS '000	Group 31 Dec 2022 TZS '000	Company 31 Dec 2023 TZS '000	Company 31 Dec 2022 TZS '000
a) Key management remuneration				
Salaries and other short-term benefits	2,951,807	2,132,134	2,951,807	2,132,134
Pension	278,652	210,513	278,652	210,513
	<u>3,230,459</u>	<u>2,342,647</u>	<u>3,230,459</u>	<u>2,342,647</u>
b) Directors' remuneration*				
Salaries and other short-term benefits for the Chairman	361,510	165,290	165,290	361,510
	<u>361,510</u>	<u>165,290</u>	<u>165,290</u>	<u>361,510</u>
Sitting allowances paid:				
The estate of the late Mr. Michael N. Shirima*	3,424	3,754	3,424	3,754
Mr Allan Kilavuka Inuani	3,464	2,088	3,464	2,088
Mr. Evans Ndorosey	5,090	3,754	5,090	3,754
Mr. Avelyne Msaki	7,713	5,637	7,713	5,637
Ms. Hellen Muthoni Mathuka	8,506	5,314	8,506	5,314
Mr. Abdulrahman Omar Kinana	1,840	2,111	1,840	2,111
Mr. Dickson Murianki	6,942	2,489	6,942	2,489
	<u>36,979</u>	<u>25,147</u>	<u>36,979</u>	<u>25,147</u>
* Mr Michael Shirima passed away on the 9 th of June 2023.				
c) Purchase transactions				
Kenya Airways Limited	6,308,368	5,418,079	6,308,368	5,418,079
Ngaleku Children's Home Contribution	-	-	-	-
	<u>6,308,368</u>	<u>5,418,079</u>	<u>6,308,368</u>	<u>5,418,079</u>
d) Sales transactions				
Kenya Airways Limited	29,729,548	22,571,535	29,729,548	22,571,535
	<u>29,729,548</u>	<u>22,571,535</u>	<u>29,729,548</u>	<u>22,571,535</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

29 RELATED PARTY DISCLOSURES (CONTINUED)

e) Amount due to related parties

	Group	Group	Company	Company
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	TZS '000	TZS '000	TZS '000	TZS '000
Ngaleku Children's Home Contribution (*)	12,853	12,408	12,853	12,408
Kenya Airways Limited (**)	776,846	1,361,108	776,846	1,361,108
	<u>789,699</u>	<u>1,373,516</u>	<u>789,699</u>	<u>1,373,516</u>

(*) Ngaleku Children's Home Contribution is a related part because the late Mr. Michael Shirima was a trustee.

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

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

Outstanding balances at the period-end are unsecured, due on demand, interest-free and settlement occurs in cash.

There has been no guarantee provided or received for any related party receivable or payables.

30 CAPITAL COMMITMENTS

The Group has no capital commitments as at year-end. (31 December 2022: Nil).

31 SEGMENT INFORMATION

The chief operating decision-makers are the Board of Directors. Directors have determined the operating segments based on the reports reviewed by the senior management team to allocate resources, assess performance, and propose strategic direction.

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

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

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

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

31 SEGMENT INFORMATION (CONTINUED)

	Group			Company		
	<u>Domestic</u> TZS '000	<u>Foreign</u> TZS '000	<u>Total</u> TZS '000	<u>Domestic</u> TZS '000	<u>Foreign</u> TZS '000	<u>Total</u> TZS '000
<u>Period ended 31 December 2023</u>						
Passengers	69,316,640	40,955,984	110,272,624	69,316,640	40,955,984	110,272,624
Interline revenue	-	15,198	15,198			
Cargo	27,399	23,401	50,800	27,399	23,402	50,801
Mail services	143,183	-	143,183	143,183	-	143,183
Excess baggage	460,347	250,104	710,451	460,347	250,104	710,451
Cancellation Income	878,848	-	878,848	878,848	-	878,848
No show fees	1,385,194	-	1,385,194	1,385,194	-	1,385,194
Fuel surcharge	17,225,835	1,665,568	18,891,403	17,225,835	1,665,568	18,891,403
Passenger tickets writeback	1,898,755	436,153	2,334,908	1,898,755	436,153	2,334,908
	<u>91,336,201</u>	<u>43,346,408</u>	<u>134,682,609</u>	<u>91,336,201</u>	<u>43,331,211</u>	<u>134,667,412</u>

Period ended 31 December 2022

Passengers	63,151,608	31,063,247	94,214,855	63,151,608	31,063,247	94,214,855
Cargo	37,776	76,845	114,621	37,776	76,845	114,621
Mail services	136,245	-	136,245	136,245	-	136,245
Excess baggage	398,646	218,594	617,240	398,646	218,594	617,240
Cancellation Income	922,508	-	922,508	922,508	-	922,508
No show fees	1,534,090	-	1,534,090	1,534,090	-	1,534,090
Fuel surcharge	14,884,102	1,439,146	16,323,248	14,884,102	1,439,146	16,323,248
Passenger tickets writeback	3,093,589	710,612	3,804,201	3,093,589	710,612	3,804,201
	<u>84,158,564</u>	<u>33,508,444</u>	<u>117,667,008</u>	<u>84,158,564</u>	<u>33,508,444</u>	<u>117,667,008</u>

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

32 CONTINGENCIES

As at 31 December 2023, there was a potential litigation by Standard Aero against the Company amounting to TZS 2.1 billion (2022: TZS 1.1 billion). Standard Aero demanded for reimbursement of repair costs for one of the leased engines (S/N 127191) which experienced an in-flight shutdown while operated in flight PW 467.

Following investigations by insurer's appointed expert, along with an independent metallurgical analysis, the engine shutdown was attributed to mechanical breakdown within the engine unit. On 18 March 2024, Standard Aero France, through its Investigator and claims adjuster, Peter J. McBreen & Associates, Inc reached out to PW in writing for the purpose of recovering Standard Aero's costs to repair the engine for which the Company objected.

The Company's stance is that the in-flight engine shutdown was not a result of the negligence of the Company or its employees, the operational mishandling of the engine or the operation of the engine beyond limits. Management has assessed the open case and concluded that the probability of winning is high. Accordingly, no provision has been made in the financial statements to cater to these liabilities.

33. EMPLOYEES

The number of employees for the Group at the end of the year was 401 (2022: 396).

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

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

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

	<u>31 Dec 2023</u>	<u>31 Dec 2022</u>
Company		
Profit/(loss) for the year (TZS'000)	(57,381,181)	6,096,002
Number of shares ('000')	160,473	160,473
Earnings Per Share (TZS) – basic and diluted	(357.58)	37.99

35. CAPITAL MANAGEMENT

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

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

The Group includes within net debt: borrowings, trade and other payables, less cash, and cash equivalents. All components of equity are included in the denominator of the calculation. Trade and other payables are included within net debt due to the liquidity challenges the Group is facing. Once the situation normalises, these will be excluded. The Group does not have a target debt ratio.

PRECISION AIR SERVICES PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

35. CAPITAL MANAGEMENT (CONTINUED)

	Group 31 Dec 2023 TZS'000	Group 31 Dec 2022 TZS'000	Company 31 Dec 2023	Company 31 Dec 2022 TZS'000
Total liabilities	(573,083,101)	(528,552,482)	(573,083,101)	(528,552,482)
Cash and bank balances	8,566,327	8,695,082	8,566,327	8,695,082
Net debt	(547,295,574)	(506,373,406)	(547,295,574)	(506,373,406)
Equity	490,643,677	433,864,758	490,643,949	433,865,031
Capital and net debt	(56,651,897)	(72,508,648)	(56,651,625)	(72,508,375)
Net debt ratio	(1.11)	(1.16)	(1.11)	(1.16)

Externally imposed capital requirements

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

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

36. FAIR VALUE DISCLOSURES

Fair value hierarchy

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

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

The Group and Company did not have at the reporting date any financial assets and liabilities measured at fair value.

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

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

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

37. SUBSEQUENT EVENTS

At the date of signing the financial statements, the Directors are not aware of any material events or circumstances that have arisen between the accounting date and the date of signing of these consolidated and separate financial statements, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Group and Company and results of its operations.