REPORT OF THE CONTROLLER AND AUDITOR GENERAL

UHURU NA UMOJA

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

NATIONAL AUDIT OFFICE
NAOT
ISO 9001:2015 Certified

AIR TANZANIA COMPANY LIMITED (ATCL)

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

Controller and Auditor General,
National Audit Office,
Audit House,
4 Ukaguzi Road,
P.O. Box 950,
41101 Tambukareli,
Dodoma, Tanzania.
Tel: 255 (026) 2161200,
Fax: 255 (026) 2321245,
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

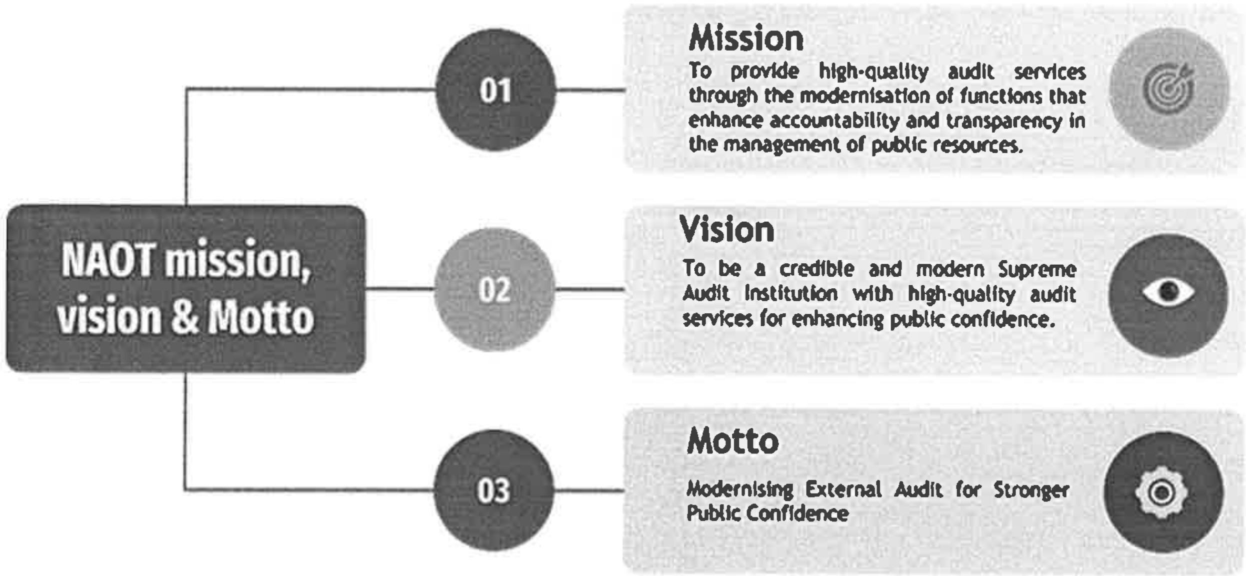
March 2024

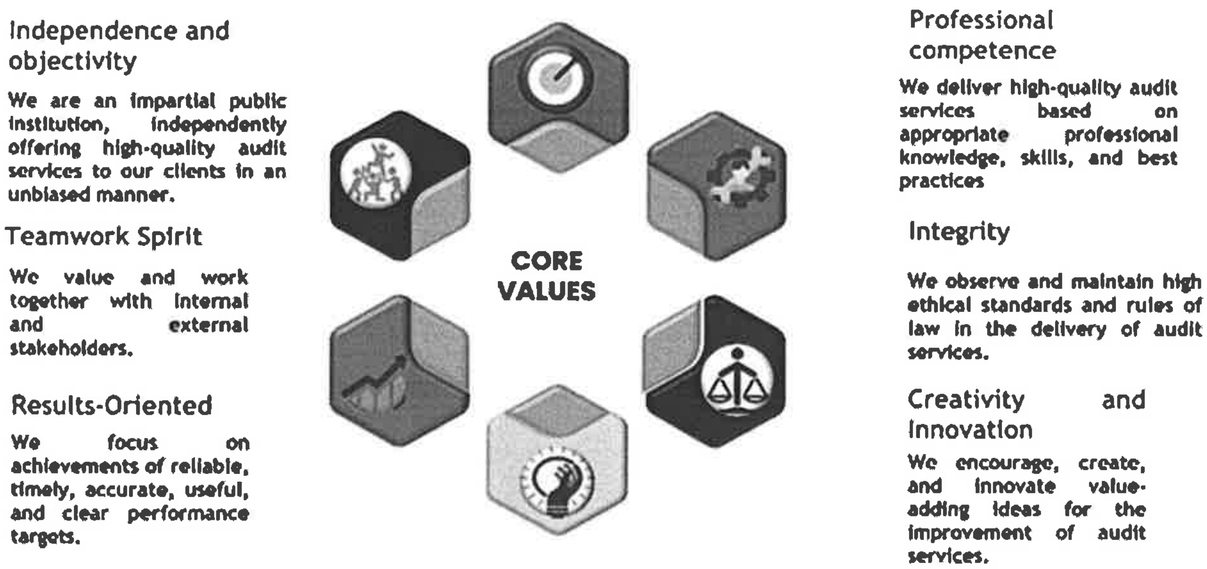
AR/PAD/ATCL/2022/23

About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418[R.E 2021]





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ABBREVIATIONS

AOG	Aircraft on Ground
APU	Auxiliary Power Unit
ATC	Air Tanzania Corporation
ATCL	Air Tanzania Company Limited
ASK	Available Seat Kilometre
BOT	Bank Of Tanzania
BSP	Billing and Settlement Plan
CEO	Chief Executive Officer
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CSP	Corporate Strategic Plan
DAR	Dar es Salaam
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FY	Financial Year
GDS	Global Distribution System
GOT	Government Of Tanzania
GSA	General Sales Agent
GSE	Ground Services Equipment
IAS	International Accounting Standards
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
ICH	IATA Clearing House
ICT	Information Communication Technologies
IFRS	International Financial Reporting Standards
IFRS	International Financial Reporting Standards
IOSA	IATA Operational Safety Audit
ISSAI	International Standard of Supreme Audit Institutions
JNIA	Julius Nyerere International Airport
KIA	Kilimanjaro International Airport
KIMAFA	Kilimanjaro Maintenance Facility
MOU	Memorandum of Understanding
MWZ	Mwanza
NAO	National Audit Office
NBAA	National Board of Accountants and Auditors
OEM	Original Equipment Manufacturer
RPK	Revenue Passenger Kilometre
PAR	Public Audit Regulation
PMA	Pemba
PPA	Public Procurement Act
PPR	Public Procurement Regulations
PSSSF	Public Service Social Security Fund
SAA	South African Airways
TCAA	Tanzania Civil Aviation Authority
TGFA	Tanzania Government Flight Agency
TZS	Tanzanian Shilling
ZNZ	Zanzibar

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairperson of the Board,
Board of Directors,
Air Tanzania Company Ltd,
P.O. Box 543,
Dar es Salaam,

Tanzania.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Air Tanzania Company Limited (ATCL), which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Air Tanzania Company Limited (ATCL) as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) of accounting.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Air Tanzania Company Limited (ATCL) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter(s)

I draw attention to statement of profit/loss, Note 2 and 42 in the financial statements, which indicate that the Company reported a loss after tax of TZS 57 billion (2022: loss of TZS 35 billion) which represents an increase of 63% compared to previous loss. The financial loss for the year 2022/23 escalated due to technical issues leading to the grounding of Airbus A220-300 aircraft, delays in aircraft delivery and flight permits resulting in late cost recovery and additional costs associated with new routes. Also, prices of fuel and higher costs associated with entering new markets including Nairobi, Ndola, resuming routes to China. Lastly, the fear of aircraft seizure led to lower utilization of aircraft due to limited network expansion.

In addition, as of 30 June 2023 the Company had a deficit in shareholders' equity of TZS 214 billion (2022: TZS 157 billion) and its current liabilities exceeded its current assets by TZS 306 billion (2022: TZS 248 billion). These conditions indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. However, currently, the government is evaluating whether to transfer aircraft ownership to ATCL, which could end the lease arrangement ongoing. My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Report by those charged with Governance, statement of management responsibility and Declaration by the Head of Finance but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

In addition, Section 10 (2) of the Public Audit Act, Cap 418 [R.E 2021] requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, Cap 410 [R.E 2022] requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services in the Air Tanzania Company Limited (ATCL)for the financial year 2022/23 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that procurement of works, goods and services of Air Tanzania Company Limited (ATCL) is generally in compliance with the requirements of the Public Procurement laws in Tanzania.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Air Tanzania Company Limited (ATCL)for the financial year 2022/23 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that Budget formulation and execution of Air Tanzania Company Limited (ATCL) is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
March 2024

CONTROLLER AND AUDITOR GENERAL

3.0 STATEMENT OF DIRECTORS' RESPONSIBILITY

The Companies Act, No.12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the year. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its performance in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

The going concern basis of preparing financial statements is adopted on the basis of the explanations in Note 2 to the financial statements.

Signed on behalf of the Board of Directors By:

______________________	11/03/2024
Prof. Neema Mori	Date:
Board Chairperson	
______________________	11/03/2024
Eng. Ladislaus Matindi	Date:
(CEO & Managing Director)	

4.0 DECLARATION OF THE HEAD OF FINANCE

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 Head of Finance/Accounting 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 and Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under directors' responsibility statement on an earlier page.

I **Jamal A. Kiggundu** being the head of finance of Air Tanzania Company Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2023 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Companies Act, No 12 of 2002.

I thus confirm that the financial statements give a true and fair view position of Air Tanzania Company Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by:

11/03/2024

Jamal Athuman Kiggundu **Date**

Finance Director

NBAA Membership No: ACPA3589

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	2022/23 TZS '000'	2021/22 TZS '000'
ASSETS			
Non-Current Assets			
Property and equipment	18	130,081,868	124,835,835
Right of Use Asset	19	53,465,199	89,233,068
Intangible assets	20	170,578	206,721
		183,717,645	**214,275,624**
Current Assets			
Inventories	21	37,615,440	28,689,687
Trade and other receivables	22	26,922,415	13,510,174
Due from related parties	30	30,992,664	22,351,758
Income Tax Assets	16	-	-
Cash and cash equivalents	23	60,139,763	69,462,220
		155,670,282	**134,013,839**
Total Assets		**339,387,927**	**348,289,463**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	16,252,940	16,252,940
Advance towards share capital	25	144,301,498	144,301,498
Non distributable reserves	26	1,781,419	1,781,419
Remeasurements of retirement benefit obligations	27	4,099,806	4,092,735
Revaluation reserves		40,474,937	40,474,937
Accumulated losses		(421,260,940)	(364,620,246)
		(214,350,340)	**(157,716,717)**
Liabilities			
Non-Current Liabilities			
Retirement benefit obligations	27	1,192,066	1,350,370
Government grants - Capital	10.2	25,990,349	19,789,922
Concessionary lease liabilities	29.1	64,658,762	102,683,740
		91,841,177	**123,824,032**
Current Liabilities			
Trade and other payables	28	52,931,210	78,993,582
Concessionary lease payable	29.2	260,192,165	190,844,492
Due to related parties	30	94,405,963	84,313,941
Government grants - Revenue	10.1	42,182,054	26,542,003
Deferred credit	10.3	10,295,858	-
Income tax liability	16	1,889,840	1,488,130
		461,897,090	**382,182,148**
Total Liabilities		**553,738,267**	**506,006,180**
Total Equity and Liabilities		**339,387,927**	**348,289,463**

These financial statements were approved for issue in accordance with a resolution of the Board of Directors passed on 11 January 2024 and were signed on its behalf by:

NMori

Prof. Neema Mori
Board Chairperson

Eng. Ladislaus Matindi
CEO & Managing Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2022/23 TZS '000'	2021/22 TZS '000'
Revenue	8	380,356,920	254,443,631
Direct costs	9	(372,321,750)	(257,065,190)
Gross profit/(loss)		**8,035,170**	**(2,621,559)**
Amortisation of revenue grants (current)	10.1	8,456,382	14,865,619
Amortisation of capital grants	10.2	1,252,005	15,766,493
Amortisation of deferred credit	10.3	17,307,183	13,395,424
Other income	11	7,424,382	1,575,635
Loss on foreign currency	12	(1,920,807)	(4,762,745)
Administration expenses	13	(31,273,316)	(19,802,933)
Staff costs	14	(51,012,462)	(35,908,916)
Depreciation of property and equipment	18	(6,177,612)	(5,270,689)
Operating Profit/(Loss)		**(47,909,075)**	**(22,763,671)**
Finance costs	15	(6,657,635)	(10,974,456)
Profit/(Loss) before income tax		**(54,566,710)**	**(33,738,127)**
Income tax expense	16	(2,073,984)	(1,500,234)
Profit/(Loss) for the year		**(56,640,694)**	**(35,238,361)**
Other comprehensive income:			
Items that will not be recycled to statement of profit or loss			
Re measurements of retirement benefit obligations (Note 27)		7,071	93,166
Total items that will not be reclassified to profit or loss		7,071	93,166
Other comprehensive income for the year net of taxation		**7,071**	**93,166**
Total comprehensive Profit/(Loss) for the year		**(56,633,623)**	**(35,145,195)**

Prof. Neema Mori
Board Chairperson

Eng. Ladislaus Matindi
CEO & Managing Director

AIR TANZANIA COMPANY LIMITED (ATCL)
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Share Capital TZS '000	Advance Towards Share Capital TZS '000	Non Distributable Reserves TZS '000	Remeasurements of Retirement Benefit Obligations TZS '000	Revaluation Reserves TZS '000	Accumulated Losses TZS '000	Total TZS '000
30-June-2023							
At 01 July 2022	16,252,940	144,301,498	1,781,419	4,092,735	40,474,937	(364,620,246)	(157,716,717)
Additions[1]	-	-	-	-	-	-	-
Remeasurements of retirement benefit obligations (Note 27)	-	-	-	7,071	-	-	7,071
Loss for the year	-	-	-	-	-	(56,640,694)	(56,640,694)
At 30 June 2023	16,252,940	144,301,498	1,781,419	4,099,806	40,474,937	(421,260,940)	(214,350,340)
30-June-2022							
At 01 July 2021	16,252,940	31,826,870	1,781,419	3,999,569	40,474,937	(334,318,928)	(239,983,193)
Prior Year Adjustments	-	-	-	-	-	4,937,043	4,937,043
Reinstated	16,252,940	31,826,870	1,781,419	3,999,569	40,474,937	(329,381,885)	(235,046,150)
Additions[2]		112,474,628					112,474,628
Remeasurements of retirement benefit obligations (Note 27)	-	-	-	93,166	-	-	93,166
Loss for the year	-	-	-	-	-	(35,238,361)	(35,238,361)
At 30 June 2022	16,252,940	144,301,498	1,781,419	4,092,735	40,474,937	(364,620,246)	(157,716,717)

Prof. Neema Mori
Board Chairperson

Eng. Ladislaus Matindi
CEO & Managing Director

[2] During the year 2021/22 a direct payment of TZS 112 billion on 14th July 2021 by the government to Wallis in respect of court settlement deed made on 7 July 2021 for ATCL outstanding inherited debts. As per Treasury Register directives this formed party of share capital and will be transferred from advanced share capital to share capital once necessary arrangements are completed

STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 TZS '000'	2022 TZS '000'
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from passengers	38	438,710,890	284,082,662
Cash receipts from tenants	38	389,787	536,492
Cash receipts from students (Cabin Crews)	38	219,741	234,348
Cash receipts from miscellaneous incomes	38	4,755,148	12,116,528
Cash receipt from government (Grants)	10.1	31,548,865	22,332,087
Cash receipt in respect of Interest earned	38	159,748	109,731
Cash paid to suppliers	39	(428,204,178)	(258,073,152)
Cash paid to employees	39	(36,696,048)	(25,362,827)
Cash paid for other operating expenses	39	(1,249,693)	(277,597)
Receipts from security deposit	40	-	231,469
Retirement benefits paid	27	(891,384)	(778,318)
Tax paid	16	(1,680,720)	(918,250)
Net cash from operating activities		**7,062,156**	**34,233,173**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	18	(16,338,070)	(9,995,299)
Proceeds from sale of property, plant and equipment	18	9,520	120,400
Net cash used in investing activities		**(16,328,550)**	**(9,874,899)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flow used in financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		**(9,266,394)**	**24,358,274**
Cash and cash equivalent at the beginning of the year	23	69,462,220	45,103,946
Cash and cash equivalent at end of the year	23	**60,195,826**	**69,462,220**

Prof. Neema Mori
Board Chairperson

Eng. Ladislaus Matindi
CEO & Managing Director