Swissport Tanzania Limited

2012 ANNUAL REPORT

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OUR ESTEEMED CUSTOMERS

Julius Nyerere and Kilimanjaro International Airports

Julius Nyerere International Airport

Kilimanjaro International Airport

To

The shareholders
Swissport Tanzania Ltd

Letter of Transmittal,

The Directors of the company have the pleasure to submit to you the Annual Report of the company for the year ended 31st December 2012, in accordance with section 166 of the Companies Act, CAP 212 Act No. 12 of 2002.

The report contains the Chairman's Statement, CEO's Report, Report of the Directors, Auditor's Report on the Financial Statements and Audited Financial Statements.

An interim dividend of TShs 2,430 million or TShs 67.50 per share was paid in November, 2012. The Directors recommend a final dividend of TShs 2,948 million equal to TShs 81.89 per fully issued and paid up share making the total dividend to be TShs 5,378 million or TShs 149.39 per share.

Juan Jose Andrez Alvez
Board Chairman
Swissport Tanzania Ltd.

11 March 2013

CHAIRMAN'S STATEMENT

As I author this statement for year 2012, I am pleased to report once again positive results. Swissport Tanzania Ltd continues to be a strong company that instills trust and strength in both financial and operational capabilities. With more than 27 years of its existence, the company has demonstrated to be one of the organizational role models in the country with high level of performance and run by local management and supported by Swissport International. The positive image can be testified by the share price positive development from Tshs 225 during IPO in 2003 to recent price levels ranging between Tshs1,800 to and Tshs 1,940 per share.

Much as the economic recession has continued to dominate the world especially in the Euro zone, we realized growth of the aviation sector in Tanzania. Being a politically stable and peaceful country, this growth is expected to continue, fueled by not only the ongoing oil and gas exploration projects in Southern Tanzania but also by tourism industry which has also been growing at a high pace. The recent declaration of 7 natural wonders of Africa, three of them being in Tanzania, namely The Serengeti, Ngorongoro Crater and Mount Kilimanjaro is expected to impact tourism and aviation industries positively. Additionally, the coming of the low cost carrier Fastjet has raised public awareness on air transportation in the country and we see a drastic increase in the number of passengers travelling by air locally especially through Julius Nyerere and Kilimanjaro International Airports.

We congratulate the Government of Tanzania for realizing this growth and we are aware of the steps taken to improve the country's airports infrastructure such as the inauguration of the new airport of Songwe, rehabilitation of Kigoma, Mafia, Mwanza airports just to mention a few.

During the year, passenger traffic and cargo volume increased by 4% and 3% respectively. Total operating revenue grew by 8% to TAS 30,353 million as compared to 2011. However, operating profit was TAS 9,723 million representing a 5% decrease when compared to the previous year. This is attributed to increase in operating costs that resulted into more reliable fleet of ground support equipment following intensive repair and maintenance, better quality service through extensive staff and management training, implementation of robust ICT systems etc.

On the other hand, some airlines such as Zambezi and Jetlink stopped their operations in Tanzania for various reasons. Domestic carrier Air Tanzania Company Ltd operated intermittently and finally decided to go self-handling at year end.

We have continued to enhance and improve our operations using ISO9001:2008 Quality Management System (QMS), Swissport Formula, Safety Management System (SMS). Additionally we have continued to adhere to the global sustainability based on ISO14001:2004 Environmental Management System (EMS) as well compliance to Occupational Safety and Health regulations.

Swissport considers training as a key factor in service delivery. During the year, a total 22,019 hours were spent on staff training on different operational areas. Some of the Supervisors attended advanced leadership trainings in Zurich. Having realized the acute need for the personnel in the aviation sector, we have established a training center in Dar Es Salaam. The center will cater not only for own employees, but is aiming at being a regional power house for generation of industry personnel.

In support for Government's "Kilimo Kwanza" initiative, in 2012 we constructed a Cold Storage Facility at JNIA. We also completed phase II of cargo terminal rehabilitation project which involved warehouse expansion, upgrade of CCTV and fire detection systems and acquisition of cargo handling equipment. In total, TShs 2,434 million was utilized in the investments. In 2013 we are set to start construction of a modern Import Cargo Facility at JNIA as a way of further improving service to our customers. We also have plans to invest more in the ground handling equipment at both airports during the second quarter of 2013. These will include a highly needed ambulift at Kilimanjaro airport to cater for the passengers with reduced mobility.

I wish to express my sincere gratitude to our customer airlines for their continued patronage. We also extend our appreciation for the support we receive from the Government of the United Republic of Tanzania. I also wish to thank our staff, Management team and my fellow board directors for yet another successful year for our company.

Thank you very much.

Juan Jose Andrez Alvez
Board Chairman
11 March 2013

CEO'S REPORT

Notwithstanding the slight drop in profitability compared to the previous year as a consequence of disproportionate increase of cost against revenue, 2012 was yet another successful year for the company. It is therefore my great pleasure to present you with this report.

While the Euro-zone economic crisis continued to pose threats to the development of the airline industry and ground handling business in the world, Tanzania did not feel the effects of this crisis as the industry continued to grow albeit at a slower pace. This was observed through increased frequencies by almost all our customer airlines; some of whom changed to bigger equipment allowing us to realize more revenues. Remarkable development was the start up of operation at Kilimanjaro International Airport by Kenya Airways, Qatar Airways and Turkish Airlines.

The year was also eventful as we welcomed Fastjet, a low cost carrier into our customer portfolio at both airports of Julius Nyerere and Kilimanjaro. Swissport International signed a global contract with Fastjet which allows the group to handle their flights wherever they operate and to represent them in all issues pertaining to ground handling operations.

Despite the above positive development, we ended the year by losing Air Malawi for operational reasons and our long time customer Air Tanzania who decided to self- handle their flights at their hub in Dar es Salaam and their other destinations in Tanzania. We are still keen to have Air Tanzania as one of our customers and we will do our best to win them back.

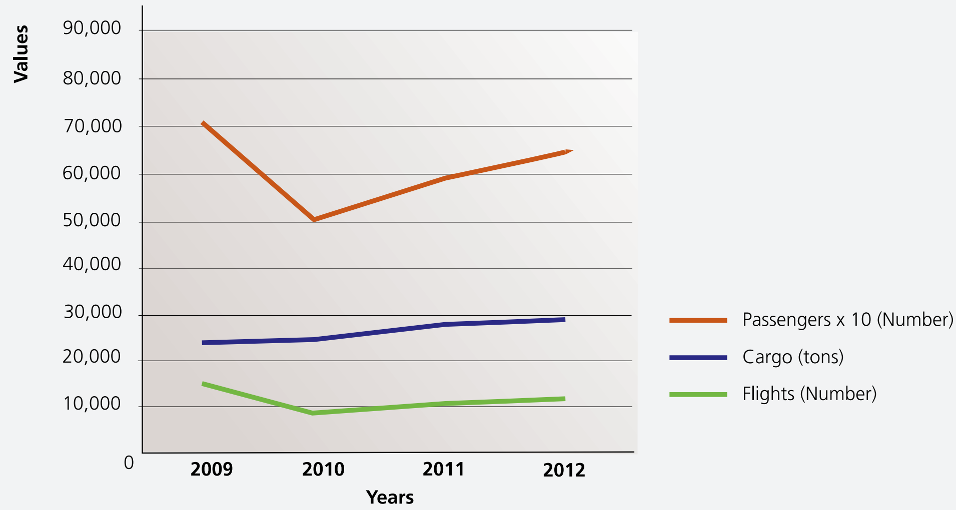
Volumes of cargo handled continued to grow in 2012 due to increase in the importation of medicines, telecommunication and oil exploration equipment. Export of meat, fish, flowers and vegetables also increased and we foresee further growth in future. Safari Express and Astral Aviation continued to operate freighters between Nairobi and Dar es Salaam while Martinair started operating a freighter between Johannesburg and Amsterdam via Dar es Salaam. We also continued handling other adhoc freighter operators especially at Julius Nyerere International Airport. It is therefore against the foregoing background that we expanded the existing freight terminal and constructed a new cold room facility to cope with demand.

Production and Operating Revenue

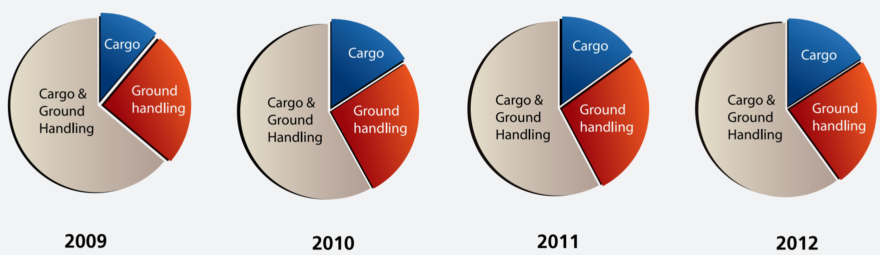
In 2012 the Company handled a total of 11,590 flights which is an increase of 4% when compared to 11,106 flights handled in 2011. Embarking passengers handled were 657,072 as compared to 592,286 passengers handled in 2011, this is an increased of 11% when compared to 2011. Cargo handled in 2012 was 28,354 tons which is 3% increase compared to 27,605 tons handled in 2011. The increase in flights and cargo handled explains the revenue growth to TShs 18,551 million for ground handling compared to TShs 16,864 million realized the previous year. Cargo handling revenue grew by 6% to TShs 11,802 million compared to TShs 11,125 million earned in 2011.

In view of the foregoing, total operating revenue for the year grew by 8% to TShs 30,353 million as compared to TShs 27,989 million that was realized in 2011.

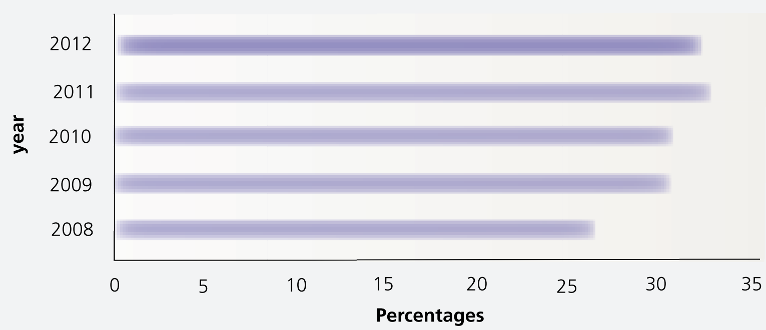
Production Trends



Revenue Trends



EBIT Margin Trends



Profitability

The total operating costs for the year was TShs 20,683 million which is a 14% increase when compared to TShs 18,072 million reported in 2011. This resulted into an operating profit of TShs 9,723 million which is a 5% decrease when compared to TShs 10,238 million realized in year 2011. The increase in operating costs is a result of increased fuel and maintenance costs, depreciation, personnel costs, rent and occupancy expenses. On the other hand EBITDA of the Company was TShs 11,196 million compared to TShs 11,240 million reported in year 2011, this represent a decrease of 0.4%. It is worth reporting that the company's total assets grew by 14% from TShs 16.191 million in 2011 to TShs 18.490 million at the end of 2012.

Earnings per share

Earnings per share for the Company were TShs 186.75 compared to TShs 196.92 reported in 2011. This is a decrease of 5% which is in line with the decreased profitability of the Company.

Human Resources

Last year staff remuneration was improved slightly to compensate from the effects of inflation. We also opened a fully fledged training centre which is used to train not only our staff but other individuals within the aviation industry. We plan to develop the facility into a centre of excellence in the region that is capable of providing training previously not available in the country such as dangerous goods training (CAT 6) etc. Workers participation was also enhanced during the year and industrial relations were maintained at an excellent level through regular meetings with the Trade Union-COTWU.

Investments

As one of the strategies of improving service delivery for our customers, TShs 2,434 million was invested in 2012 compared to TShs 2,132 million invested in 2011. Greater part of the investment was directed towards increasing capacity to handle perishable cargo, improving the size of the existing warehouse and enhancing security services by installing a CCTV and fire alarm system. In 2013, TShs 3,179 million has been earmarked for investments in ground support equipment.

Accolades

In 2012 we received two major financial reporting awards namely, National Board of Accountants and Auditors (NBAA) best presented financial statements, 1st winner in the category of service trading entities and Fire Award in the Tanzania Country category. Fire Award is an initiative by the Nairobi Securities Exchange (NSE), Capital Markets Authority (CMA) and Institute of Certified Public Accountants of Kenya (ICPAK) to recognize excellence in the financial reporting among companies in the East African Region. We also won 1st prize for timely submission of employees' contribution to PPF in the transport, communication and energy sector.

Future Outlook

In spite of British Airways withdrawing from Tanzania effectively from 1st April, 2013, we project increase in flight frequencies and cargo throughput in 2013. We are finalizing plans and will soon start the construction of a new import warehouse facility at Julius Nyerere International Airport. It will take the Company about 18 months for the first and the most critical phase of this project to be finalized after the approval of the project business case by the Board of Directors in March 2013. We remain optimistic that plans to expand geographically to other airports in Tanzania will be realized in 2013. It is however likely that the market will be opened to competition although infrastructure limitations remains as an impediment to this initiative by the government.

Appreciation

I wish to conclude by thanking all our customers, the Board of Directors, employees at all levels not forgetting the Management colleagues as well as our other stakeholders for supporting the Company throughout 2012.

Asanteni Sana!

Gaudence Kilasara Temu
Chief Executive Officer

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012

The directors submit their report together with the audited financial statements for the year ended 31 December 2012, which disclose the state of affairs of Swissport Tanzania Ltd. (the "Company").

1 DIRECTORS

The directors of the Company at the date of this report, all of whom have served since 1 January 2012, except where otherwise stated, are:

Name	Nationality	Position	Remarks
1 Mr Juan J. A. Alvez	Spanish	Chairman	Representing SPI
2 Prof. Letitia Rutashobya	Tanzanian	Director	Representing local shareholders
3 Mr George Fumbuka	Tanzanian	Director	Representing local shareholders
4 Mr Jeroen de Clercq	Dutch	Director	Representing SPI
5 Mr John Batten	British	Director	Representing SPI

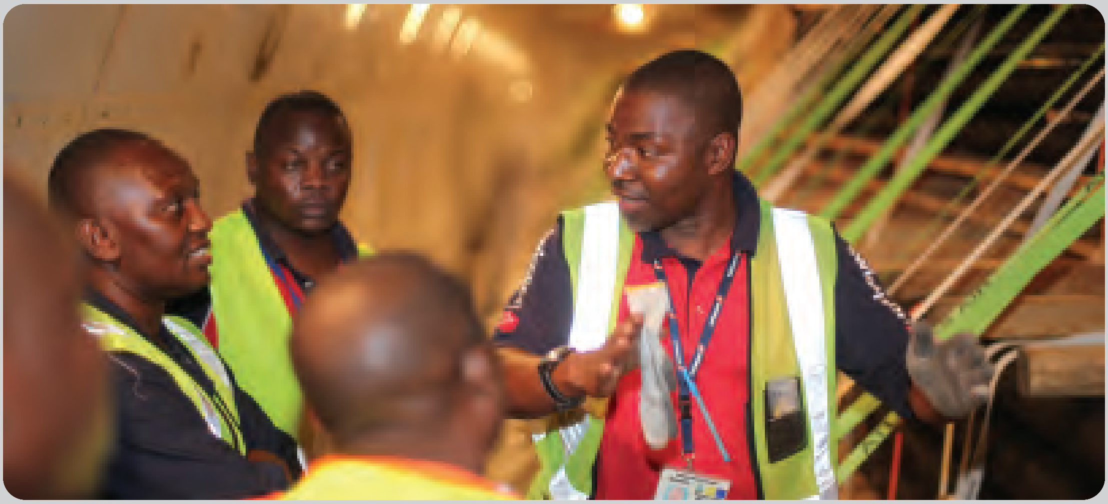

Mr. Juan Jose Andres Alvez


Prof. Letitia Rutashobya


Mr. George Fumbuka


Mr. Jeroen de Clercq


Mr. John Batten



In accordance with the Company's Articles of Association, the directors are not required to retire by rotation. None of the directors are executive, 3 of the directors are representing Swissport International Ltd (SPI) and are senior executives at SPI and 2 of the directors are representing local shareholders. 1 out of 5 board directors, as indicated hereunder, has an interest in the issued and fully paid up shares of the Company.

Name	**Shares 2012**	**Shares 2011**
1. Mr George Fumbuka	547	447

The directors are each entitled to the directors' fees paid annually as follows:

	US$
The Chairman of the Board	10,000
Other directors	8,000

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

	US$
The Chairman of the Board	1,000
Other directors	800

The Company Secretary as at the date of this report who has served throughout the period was Mr. Gaudence K. Temu.

2 COMPANY SHAREHOLDING

As at 31 December 2012 the Company had – 11,307 shareholders (31 December 2011 –11,459 shareholders). Ten major shareholders are listed below:

	Name	Nationality	% of Holding
1	Swissport International Limited	Swiss	51
2	Barclays (T) Nominee Limited	Tanzanian	10
3	National Social Security Fund	Tanzanian	5
4	Public Service Pensions Fund	Tanzanian	4
5	Parastatal Pensions Fund	Tanzanian	3
6	Sayeed H. Kadri &/or Basharati Kadri	Tanzanian	1
7	G.A.K. Patel & Co. Limited	Tanzanian	1
8	Social Action Trust Fund	Tanzanian	0.91
9	Government Employees Provident Fund	Tanzanian	0.84
10	Alliance Insurance Corporation Ltd.	Tanzanian	0.34

2 COMPANY SHAREHOLDING (continued)

As at 31 December 2011 the Company had 11,459 shareholders (31 December 2010 –11,491 shareholders). Ten major shareholders are listed below:

	Name	Nationality	% of Holding
1	Swissport International Limited	Swiss	51
2	Barclays (T) Nominee Limited	Tanzanian	9
3	National Social Security Fund	Tanzanian	5
4	Public Service Pensions Fund	Tanzanian	4
5	Parastatal Pensions Fund	Tanzanian	3
6	Orbit Securities Company Limited	Tanzanian	1
7	Sayeed H. Kadri &/or Basharati Kadri	Tanzanian	1
8	G.A.K. Patel & Co. Limited	Tanzanian	1
9	Social Action Trust Fund	Tanzanian	0.91
10	Government Employees Provident Fund	Tanzanian	0.84

3 ACTIVITIES

The Company's principal activities are the provision of airport ground and cargo handling services.

The Company is presently providing its services at Julius Nyerere and Kilimanjaro International Airports and depending on its expansion plans it can apply a concession to operate at any other airport in the United Republic of Tanzania..

4 OPERATING AND FINANCIAL REVIEW

Revenue realised from ground and cargo handling services for JNIA and KIA operations are as follows:

	2012 Revenue TShs M	2011 Revenue TShs M
Dar-es-Salaam		
Ground handling services	**14,708**	13,792
Cargo handling services	**10,274**	9,634
Sub total	**24,982**	23,426
Kilimanjaro		
Ground handling services	**3,773**	3,072
Cargo handling services	**1,598**	1,491
Sub total	**5,371**	4,563
Grand total	**30,353**	27,989

Revenue for the year was 8.4% higher than the revenue recorded in the year ended 31 December 2011. Both ground and cargo handling service contributed to the revenue increase. The increase in ground handling revenue was due to increase in flight frequencies by Qatar Airways, Kenya Airways, Turkish Airlines, Ethiopian Airlines, Emirates, South African Airways and ad-hoc operators, use of bigger aircrafts by certain airline customers. Qatar Airways, Kenya Airways and Turkish Airlines introduced flights to Kilimanjaro in year 2012. The increase in cargo handling revenue is due to increase in volume of cargo handled and increased efficiency due to the on going cargo processes re-engineering. Cargo export is still contributing less towards our cargo revenue.

The performances during the year in both ground and cargo handling services were good. The Company realised 10.0% (2011 – 37%) increase in ground handling revenue and 6.1% (2011 – 36.9%) in cargo handling revenue. Profit before tax decreased by 5% to TShs 9,723 million (2011: TShs 10,238 million), mainly due to increase in fuel and maintenance costs, depreciation, personnel costs and rent and occupancy expenses. The lower increase in the volume of business of both ground handling and cargo services was attributed by a substantial growth realised in year 2011.

The following are key operational performance indicators for the performance of the Company:

	2012	2011
Flights handled – numbers	**11,590**	11,106
Passenger handled – embarked	**657,072**	592,286
Cargo handled – tons	**28,354**	27,605

The Company generated enough cash flow to finance its operating activities. During the year the Company generated TShs 7,548 million from its operating activities (2011 – TShs 6,793 million). Operating cash flow is mainly affected by revenue for the year and corporate tax paid during the year. Corporate tax paid in 2012 was TShs 3,381 million (2011 – TShs 3,347 million). The Company is not expecting any significant change of future operating cash flow.

5 FUTURE DEVELOPMENTS

The Company foresees an increase in flight frequencies during the financial year 2013. The increase in frequencies will be attributed by the operations of Fastjet, impact of Qatar Airways, Kenya Airways and Turkish Airlines operations at KIA and plans to increase frequencies by other airline customers. This is evidenced by the plans presented by our airline customers, which are always executable. We also anticipate continued business growth in our executive aviation wing, mainly from increase in chartered and adhoc flights. The aforementioned factors will contribute positively towards our ground handling business.

Our future growth of ground handling business will be affected by the decision of Air Tanzania to self handle their aircrafts, flight cancellations by Zambezi Airlines, Air Malawi and Jetlink as well as British Airways effective 1 April 2013. We are aware of these factors and have been factored in our 2013 – 2017 business plans.

Future outlook of our cargo business is also good and the growth of imports for the past two years forms a precedent for expected growth of cargo business in the future. The growth of cargo business is contributed by the expansion of the telecommunication sector, importation of medicines and the expansion of mining and oil and gas exploration activities in the country. In line with the expected growth and the fact that the existing cargo warehouse is old and somehow depleted we are planning to construct a new import warehouse, this warehouse will help us to further improve the delivery of quality services to our cargo customers while strengthening our market position. .

On the other hand cargo exports are still very low. As a Company we have taken various measures to promote exports. In 2012 we constructed a new cold room to provide more space for storage of perishables and ensure that perishable imports and exports are not mixed. It is Company's plan to convert the existing cargo warehouse to a perishable handling centre once construction of the new import warehouse is complete and our imports operations are shifted to the new warehouse. We are also planning to continue investing in our cargo handling business by improving our processes, introduction of bar coded technology and enhancing cargo spot system to better serve our customers and improve our efficiency. Our actions in improving service delivery and efficiency is expected to have positive impact to our business. It is also our expectation that various export initiatives will bring positive change in the volumes of exports, hence increasing our export revenues.

We are planning to expand our operations into other airports country wide. This is in line with our growth strategy and will depend on the volume of business and if concessions will be granted to us by the Tanzania Airports Authority.

The Company will continue investing in both ground support equipment and technology to support the business. Depending on the Company's cash flow position investments will be partly financed by internally generated funds and bank loans. The directors are of the opinion that good financial performance of the Company will be sustained in year 2013.

6 NEW CARGO FACILITY

We are planning to construct a modern cargo warehouse facility at Julius Nyerere International Airport (JNIA). The facility will be constructed adjacent to the existing facility. We have been granted a land measuring 17,529 sqm by Tanzania Airports Authority (TAA) for this purpose.

The business case for the project has been reviewed and approved by the majority shareholder, Swissport International Ltd. The case is financially sound and we believe the implementation of this project will evidence our commitment and future presence into this market and our commitment to continue serving our customers better. The project will be financed by a mix of loan and internally generated funds.

It will take the Company 18 months for the first and the most critical phase of the facility to be completed and put in use after the approval of the project business case by the board of directors in March 2013. The initial investment will be US$ 5.1 million. This includes cost of construction of the warehouse, equipment and fit out.

It will cost the Company approximately US $ 10 million to complete all construction phases.

7 COMPETITION

The ground handling business at Julius Nyerere International Airport (JNIA) has been liberalised and several companies have been given Class 1 license, which allow them to provide ground handling services at the existing International Airports in Tanzania. Certain airlines have also been licensed to self handle own flights and are doing so.

Further liberalisation of the ground handling business is expected as Tanzania Airports Authority (TAA) has been considering recruiting a second ground handler at the JNIA. We believe that a second ground handler will be recruited in the near future.

Cargo handling services are yet to be officially liberalised. However, in the year 2011 some companies were licensed to provide cargo services at Julius Nyerere and Kilimanjaro International Airports. Some of these companies applied for and have been granted land by TAA for the construction of warehouse facilities. We expect one new warehouse constructed at JNIA to be operational soon.

Despite the expected competition, the directors believe that 2013 financial performance will not be significantly affected by the expected competition.

The directors have formulated several plans and strategies that will provide consistent performance in a competitive environment.

8 RESULTS AND DIVIDENDS

The Company achieved net profit for the year of TShs 6,723 million (2011: TShs 7,089 million). The directors recommend the approval of a final dividend of TShs 2,948 million equal to TShs 81.89 per fully paid up share (2011 – final dividend of TShs 3,429 million equal to TShs 95.25 per issued and fully paid up share).

An interim dividend of TShs 2,430 million or TShs 67.50 per share was approved in August 2012 making a total dividend for year 2012 to be TShs 5,378 million or TShs 149.39 per share (2011 – TShs 2,242 million or TShs 62.27 per share was approved in July 2011 making the total dividend for the year 2011 to be TShs 5,671 million or TShs 157.52 per share).

9 SOLVENCY

The Company's state of affairs at 31 December 2012 is set out on page 24 of the financial statements.

10 STOCK EXCHANGE INFORMATION

49% of the Company's issued shares are listed at the Dar es Salaam Stock Exchange and during the year they were continuously traded. In the year 2012 the performance of the Company's shares in the secondary market was as follows: Market capitalization as at 31 December 2012 was TShs 61,920 million (2011 – TShs 29,520 million), total turnover of Company's shares at DSE was TShs 593 million (2011 – TShs 341 million), average price of Company shares was TShs 1,414 (2011 – TShs 714) and the closing share price as at 31 December 2012 was TShs 1,720 per share. (IPO price in 2003 was TShs 225 per share).

11 DISABLED PERSONS

It remains the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. The Company also maintains its policy for continued employment of employees who become disabled while in service. At 31 December 2012, the Company has 4 disabled employees (2011 – 4 disabled employees).

12 TRAINING

The Company has a training unit which is also responsible for quality management systems. The unit is headed by a Training, Quality and Compliance Manager. The Manager receives annual training needs from each department and compiles a Company wide training calendar. Trainings are offered to all employees according to the needs without segregation. However, priority is given to all mandatory trainings as required in the airline industry and/or by the individual airline. During the year the Company spent TShs 191 million in training (2011 – TShs 197 million).

Two special courses aiming at improving leadership skills of our people and improving management efficiency at the work place, namely Advanced Active Leadership and Active Leadership training were launched in the year 2011 by Swissport International, where all managers and supervisors were trained on leadership skills at our Head Office in Zurich. The courses were continued in 2012 whereby 12 managers and supervisors were trained.

In September 2012, Swissport Training Centre was launched. The centre is aimed at providing better training place for the employees, reduction of training costs and proving training opportunity to various stakeholders in the aviation industry.

13 PERFORMANCE MANAGEMENT

Performances of staff at all levels are reviewed annually based on pre-agreed goals and Key Performance Indicators (KPIs). In the process of improving staff performance management, the Company in year 2011 introduced TALEO system. The system continued to be used by all key management staff in 2012 and will be gradually rolled out to all staff within Swissport network.

14 SUBSEQUENT EVENTS

There were no events subsequent to the year-end up to the date of this report that required either a disclosure to or an adjustment in the financial statements.

15 LICENSE

We are licensed by Tanzania Civil Aviation Authority (TCAA) to provide ground handling services in Tanzania. Our existing license will expire on 15 May 2013. We are in the process of applying for the renewal of our license.

16 CONCESSION AGREEMENTS

The Company has two concession agreements with Tanzania Airports Authority (TAA) to operate at Julius Nyerere International Airport (JNIA) and with Kilimanjaro Airport Development Corporation (KADCO) to operate at Kilimanjaro International Airport (KIA). The concession agreements will expire in May 2015 and December 2015, respectively. The directors are confirming compliance with terms and conditions of the existing concession agreements as stipulated by TAA and KADCO.

17 EMPLOYEE WELFARE

(a) Relationship between management and employees

A collective agreement entered into between the Communication and Transportation Workers Union (COTWU) and management governs the relationship between management and employees. The existing agreement between COTWU and management provides details of employees' benefits. Employees' benefits are paid as stipulated in the agreement. Three years agreement to year 2013 was signed on 1 March 2011.

COTWU provides a link between management and employees. Matters affecting employees are discussed between COTWU and management on monthly basis. Management also holds departmental and general staff meetings where issues affecting employees are discussed and appropriate solutions are established.

Further to the existing agreement between COTWU and management, the Company has documented human resource policies. These policies clearly stipulate rights and benefits of employees.

The Company has a Master Workers Council (MWC), which is made up by members from the management and general employees. MWC meets every year to discuss the Company's budget and the financial results of the Company. Employees through their representatives who are members of the MWC are involved in the decision making process regarding the budget and the financial results.

(b) Industrial safety

The Company continued to comply with the standards of industrial safety established by Occupational Safety and Health Authority (OSHA), Tanzania Civil Aviation Authority (TCAA) and International Civil Aviation Organisation (ICAO).

(c) Medical facilities

The Company through its contracted hospitals fully meets the cost of medical consultation and treatment for all permanent and pensionable employees and their immediate families. Contract staff are encouraged to join NSSF medical scheme.

(d) Uniforms and protective gears

The Company provides uniforms and protective gears to all employees annually.

(e) Employee benefits (pension obligations - defined contribution plan)

Permanent and pensionable employees are members of Parastatal Pension Fund (PPF) and all contract staff are members of the National Social Security Fund (NSSF). The Company contributes 15% of basic salary to PPF and 10% of gross salary to NSSF on behalf of permanent and pensionable and contract employees respectively.

(f) Employee benefits (pension obligations – defined benefit plan)

The Company has an unfunded non-contributory employee gratuity arrangement for permanent and pensionable employees (the "Arrangement") which provides for lump sum payments to its employees on their retirement at the age between 55 and 60 years, on early retirement for approved reasons and on death. Detailed financial information of the arrangement are provided in Note 22 to the financial statements.

(g) Group personal accident insurance policy

The Company has a group personal accident policy where all employees are covered and compensated when they are injured or demise at the work place.

18 RELATED PARTY TRANSACTIONS

Other than charges for the use of Cargospot and Infraport systems and insurance re-charges the Company does not have significant transactions with its holding Company.

The Company entered into several transactions with the directors and its key management personnel. The key management personnel of the Company are:

	Name	Title
1	Mr Gaudence K. Temu	Chief Executive Officer
2	Mr Mrisho B. Yassin	Chief Financial Officer
3	Ms Stella Kitali	Ground Handling Manager
4	Mr Wandwi Mugesi	Cargo Services Manager
5	Mr James Mhagama	Contracts and Marketing Manager
6	Mr Ali Sarumbo	Kilimanjaro Station Manager
7	Mrs Nyasso Gama	Training and Quality Manager
8	Ms Esta Maro	Human Resources Manager
9	Mr Kaseja Kabaka	Head of Information, Communication and Technology

Detailed financial information with related parties are provided in Note 24 to the financial statements.

19 PROCESS MANAGEMENT

The Company has implemented quality and environmental management systems, which are both internationally certified. The quality management system is certified to the ISO 9001:2008 standards, and the environmental management system is certified to the ISO 14001:2004 standards. These certifications are audited, reviewed and updated annually to maintain our certifications. Our two systems were recertified in year 2011 and the new certificates are valid up to November 2014.

20 CORPORATE SOCIAL RESPONSIBILITY

The Company has a policy of giving back part of its profit to the community by a way of charitable donations. During year 2012, the Company provided various support to the community totalling TShs 87 million (2011 – TShs 47 million).

21 CORPORATE GOVERNANCE

The Board is committed to the principle of best practice in corporate governance. To execute the principle of corporate governance the Board observed four principles namely: Non-executive Directors, Directors remuneration, Relations with shareholders, and Accountability and Audit.

i) Directors

The Board of Directors has five directors and all of them are non-executive directors hence not involved in day to day running of the business. All directors are considered by the Board to be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgment. The Board of Directors possesses a range of experience and is of sufficiently high calibre to bring independent judgment to bear on issues of strategy, performance, resources and standards of conduct that is vital to the success of the Company. A clear separation is maintained between the responsibilities of the

Chairman, who is concerned with the running of the Board, and executive management responsible for the running of the Company's business. The Board is responsible to shareholders for the proper management of the Company and is responsible for the Company's objectives and policies and providing effective leadership and control required for a public Company. Two board meetings were held during year ended 31 December 2012 (2011 – two board meetings) which were attended by the Chief Executive Officer and Chief Finance Officer.

ii) Directors remuneration

Directors' remunerations are approved at the Annual General Meeting (AGM). These include director's fees and sitting allowances. Key management remunerations are approved by the Board of Directors. It is the Company's principle to remunerate its directors and key management personnel in accordance with their responsibilities and prevailing market conditions. Directors' and key management remuneration is highlighted in Note 24 to the financial statements.

iii) Relations with shareholders

The Board places considerable importance on effective communication with shareholders. All shareholders have access to the annual report and financial statements. Other important information about the Company can be accessed by shareholders through the Company's quarterly newsletter "Oasis" and through Swissport International Ltd's website www.swissport.com. The Board uses the Annual General Meeting to communicate with institutional and private investors and welcomes their participation.

iv) Accountability and Audit

The Board is mindful of its responsibility to present a balanced and clear assessment of the Company's financial position and prospects. This assessment is primarily provided in the Chairman's statement, the Chief Executive's Report, and Director's Report. The internal control systems have been designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss. The control environment is strong with a well organizational structure, risk identification and evaluation process, information and financial reporting systems, investment appraisal process, strong internal audit and robust fraud management system. Review of the effectiveness of the system of internal controls is delegated and carried out by the Board Audit Committee.

During the year the Board Audit Committee was comprised of three directors, Mr George Fumbuka, Prof. Letitia Rutashobya and Mr Jeroen de Clercq a director representing Swissport International. The committee met three times during 2012 (2011 – three times) where the Chief Executive Officer, the Chief Financial Officer and the Internal Auditors also attended. A representative of the Company's external auditors attended two meetings (2011 – two meetings).

The Audit Committee is responsible for reviewing the effectiveness of the Company's risk management, internal control systems and operations which includes the half year and annual financial statements and the Company budgets before their submission to the Board, and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. The Board Audit Committee advises the Board on the appointment of the external auditors, approves their remuneration and discusses the nature, scope and results of the audit with the external auditors.

v) Attendance of the Board and Audit Committee meetings

Name	73rd BOD meeting	74th BOD meeting	20th BAC meeting	21st BAC meeting	22nd BAC meeting
1 Mr Juan J. A. Alvez	√	√	*	*	*
2 Prof. Letitia Rutashobya	X	√	√	√	√
3 Mr George Fumbuka	√	√	√	√	√
4 Mr Jeroen de Clercq	√	√	√	√	√
5 Mr John Batten	X	X	*	*	*

* not a member; √ attended the meeting; X absent with apology

22 STATEMENT OF COMPLIANCE

Directors are of the opinion that the Company complied with all laws and regulations and guidelines affecting the Company and its related operations.

23 AUDITORS

The auditors, KPMG, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG as auditors of the Company for year 2013 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Mr Juan Jose Andres Alvez
Chairman of the Board of Directors

Date: 11 March 2013

STATEMENT OF DIRECTORS’ RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2012

The Company’s directors are responsible for the preparation and fair presentation of the annual financial statements of Swissport Tanzania Ltd. comprising the statement of financial position at 31 December 2012, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2002.

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

The directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

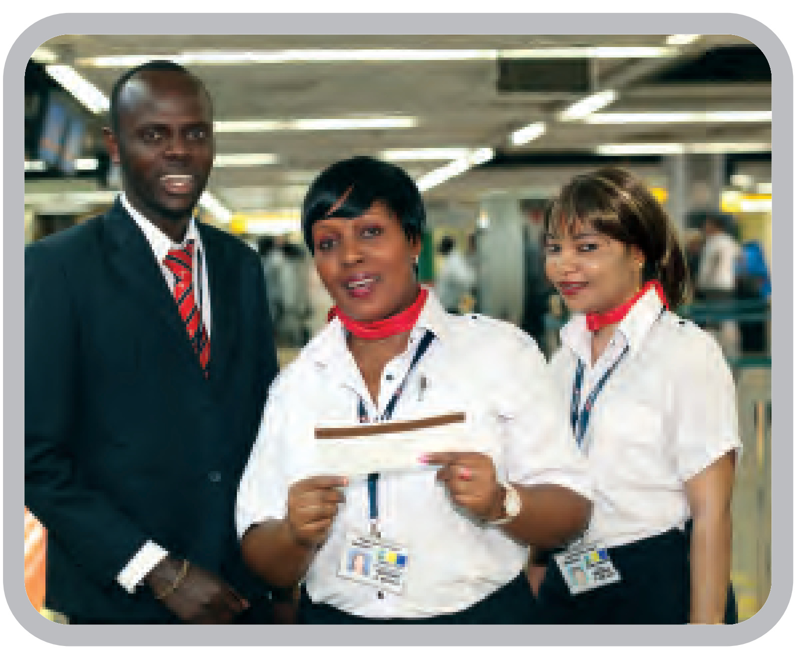
The auditors are responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of Swissport Tanzania Ltd, as identified in the first paragraph, were approved by the board of directors on the 4th of April 2013 and signed on its behalf by:

Mr Juan Jose Andres Alvez
Chairman of the Board of Directors

11 March 2013



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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF SWISSPORT TANZANIA LIMITED

Report on the financial statements

We have audited the annual financial statements of Swissport Tanzania Ltd, which comprise the statements of financial position at 31 December 2012, and the statements of profit or loss per NBAA pronouncement no 1 of 2012 and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 23 to 58.

Directors' responsibility for the financial statements
The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the state of affairs of Swissport Tanzania Ltd. at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Act, 2002.

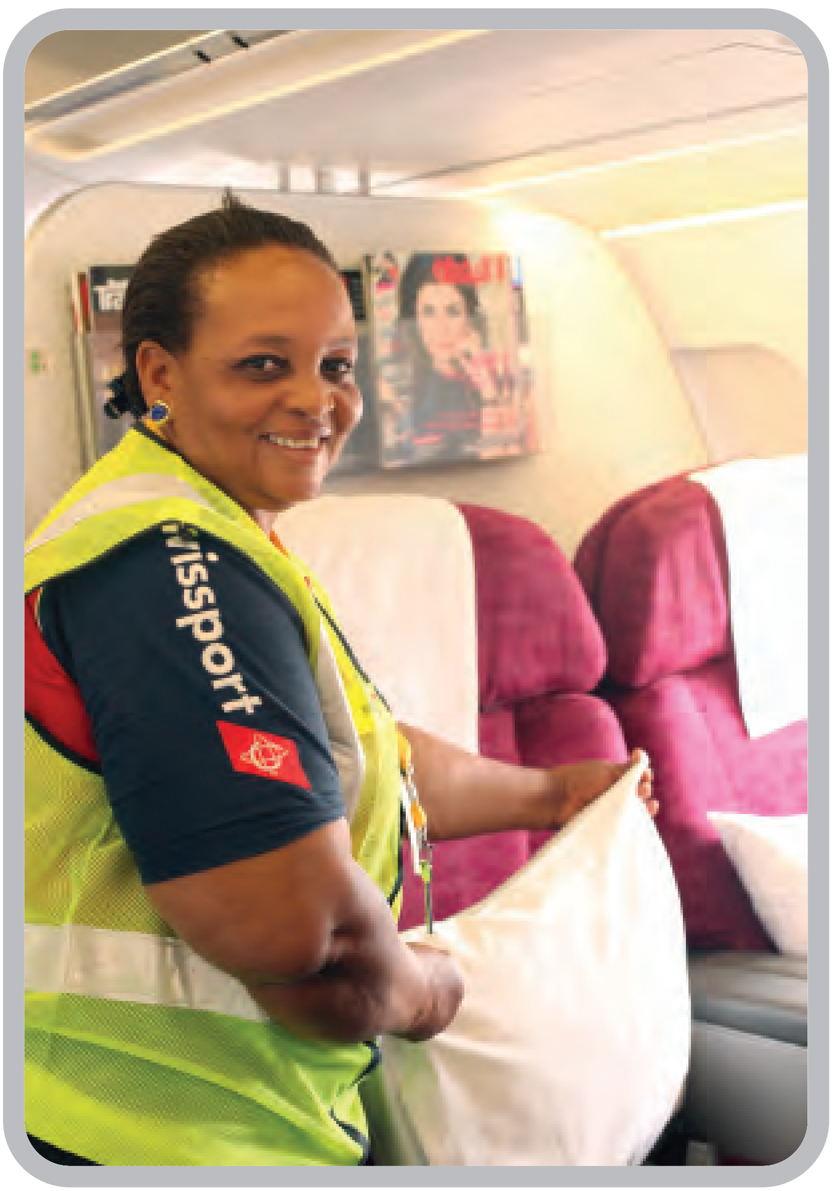
Report on other legal and regulatory requirements

In our opinion, proper accounting records have been kept by the Company and the financial statements referred to in the preceding paragraph are in agreement with the accounting records.

KPMG
Certified Public Accountants

Signed by: M. Salim Bashir
Dar es Salaam

4th April 2013

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 TShs M	2011 TShs M
Revenue	6	**30,353**	27,989
Other operating income	7	**53**	321
Staff costs	8	**(9,317)**	(8,020)
Concession fees	9	**(2,772)**	(2,578)
Fuel and maintenance costs	10	**(1,842)**	(1,562)
Depreciation		**(1,473)**	(1,002)
Rent and other occupancy costs	11	**(1,174)**	(1,006)
Other operating expenses	12	**(4,105)**	(3,904)
Total operating expense		**(20,630)**	(17,751)
Operating profit before income tax		**9,723**	10,238
Income tax expense	13	**(3,000)**	(3,149)
Profit for the year		**6,723**	7,089
Other comprehensive income:			
Actuarial loss		**(48)**	(479)
Deferred income tax		**14**	144
Total other comprehensive income net of tax		**(34)**	(335)
Total other comprehensive income for the year		**6,689**	6,754
Earnings per share (TShs) - Basic	15	**186.75**	196.92
- Diluted	15	**186.75**	196.92

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	2012 TShs M	2011 TShs M
ASSETS			
Non-current assets			
Property and equipment	17	**7,006**	6,045
Deferred tax assets	14	**864**	685
Staff receivable	19	**39**	48
		7,909	6,778
Current assets			
Inventories	18	**287**	187
Trade and other receivables	19	**5,355**	3,665
Income tax recoverable		**97**	-
Cash and cash equivalents	20	**4,842**	5,561
		10,581	9,413
Total assets		**18,490**	16,191
EQUITY			
Share capital	21	**360**	360
Retained earnings		**11,178**	10,348
Total equity		**11,538**	10,708
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	22	**3,620**	3,285
Current liabilities			
Trade and other payables	23	**3,332**	2,079
Current income tax liabilities		**-**	119
		3,332	2,198
Total liabilities		**6,952**	5,483
Total equity and liabilities		**18,490**	16,191

The financial statements on pages 23 to 58 were authorised for issue by the board of directors on 11 March 2013 and were signed on its behalf by:

Mr. Juan Jose Andres Alvez
Chairman of the Board of Directors

Mr George Fumbuka
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Share capital TShs M	Retained earnings TShs M	Total TShs M
Year ended 31 December 2012				
At start of year		360	10,348	10,708
Comprehensive income:				
Profit for the year		-	6,723	6,723
Other comprehensive income:				
Actuarial loss-net of tax		-	(34)	(34)
Total comprehensive income		-	6,689	6,689
Transactions with owners:				
Dividends paid	16	-	(5,859)	(5,859)
At end of year		**360**	**11,178**	**11,538**
Year ended 31 December 2011				
At start of year				
- As previously stated		360	7,804	8,164
Comprehensive income:				
Profit for the year		-	7,089	7,089
Other comprehensive income:				
Actuarial loss-net of tax		-	(335)	(335)
Total comprehensive income		-	6,754	6,754
Transactions with owners:				
Dividends paid	16	-	(4,210)	(4,210)
At end of year		**360**	**10,348**	**10,708**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 TShs M	2011 TShs M
Operating activities			
Profit before income tax		**9,723**	10,238
Adjustment for:			
Depreciation of property and equipment	17	**1,473**	1,002
Provision for retirement benefit obligations	22	**578**	533
Gain on disposal of property and equipment	7	**(26)**	-
Working capital adjustments:			
Increase in inventories		**(100)**	(71)
Increase in trade and other receivables		**(1,681)**	(930)
Increase/(decrease) in trade and other payables		**1,253**	(641)
		11,220	10,131
Retirement benefits paid	22	**(291)**	(91)
Income tax paid		**(3,381)**	(3,247)
Net cash generated from operating activities		**7,548**	6,793
Investing activities			
Proceeds from disposal of property and equipment		**26**	-
Purchase of property and equipment	17	**(2,434)**	(2,132)
Net cash used in investing activities		**(2,408)**	(2,132)
Financing activities			
Dividends paid to the Company's shareholders	16	**(5,859)**	(4,210)
Net cash used in financing activities		**(5,859)**	(4,210)
Net decrease in cash and cash equivalents		**(719)**	451
Movement in cash and cash equivalent			
(Decrease)/Increase in cash		**(719)**	451
At 1 January	20	**5,561**	5,110
At 31 December	20	**4,842**	5.561

NOTES
FOR THE YEAR ENDED 31 DECEMBER 2012

1 GENERAL INFORMATION

Swissport Tanzania Ltd. is a limited liability Company incorporated under the Companies Act, 2002 and is domiciled in the United Republic of Tanzania. The Company shares are listed on the Dar es Salaam stock exchange. The principal activities of the Company are disclosed in the Report of the Directors and full details of the Company's general information are disclosed on Page 60.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2002. The financial statements were authorized for issue by the Board of Directors.

The measurement basis applied is the historical basis, except where fair value measurement should be applied. The financial statements are presented in Tanzanian Shillings and all values are rounded to the nearest million (TShs'M) except when otherwise indicated.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

(i) Amended standards which became effective during the year

During the year, the amendments to the following standards became effective

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IAS 12	Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets	1 January 2012
IFRS 1	First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)	1 July 2011
IFRS 7	Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements	1 July 2011

The amendments above had no significant impact to the Company's financial statements.

a) Basis of preparation (Continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

During the year, new standards, amendments and interpretations to several existing accounting standards were issued but are not yet effective. The directors have assessed the relevance of the amendments and interpretations with respect to the Company's operations and concluded that they do not have a material impact on the Company's financial statements. These standards are listed hereunder:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments (2010)	1 January 2013
IFRS 9	Financial instruments (2009)	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities (2011)	1 January 2013
IFRS 13	Fair value measurement (2011)	1 January 2013
IAS 19	Employee benefits	1 January 2013

The directors decided to early adopt IAS 19, this resulted in more disclosures in the Company's financial statements.

b) Revenue recognition

Revenue is recognised in profit and loss to the extent that it is probable that future economic benefit will flow to the Company and that the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivables, taking into account contractually defined terms of payments excluding discounts, rebates and Valued Added Taxation (VAT).

Ground handling
Revenue is recognized when ground handling services are rendered to the airline.

Cargo handling
Documentation, handling and equipment revenue is recognized once the Company hand over the shipping documents to the customer to start custom clearance. Storage revenue for all cargo that is in the warehouse is accrued based on the numbers of days the cargo has stayed in the warehouse net of grace period at applicable rates to the extent that it is probable future economic benefits will flow to the Company and that revenue can be reliably measured.

b) Revenue recognition (continued)

Clearing and forwarding

For imports, the Company recognizes revenue after the completion of clearing process. In case the agreement is on door delivery revenue is recognized when the cargo is delivered and accepted by the customer. Clearing and forwarding revenue from exports is recognized after shipment upon issue of airway bill and cargo is accepted by the airline for export.

Interest income

Interest earned on short-term investments is recognized in the profit and loss statement on a straight line basis over the investment period and included in finance income.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and included in other operating income.

Commissions

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission.

c) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The financial statements are presented in the Tanzanian shillings, which is the Company’s functional and presentation currency rounded to the nearest million.

ii. Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Tanzanian Shillings at rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss within ‘other operating income’ or ‘other operating expenses’.

d) 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.

e) Property and equipment

Property and equipment are initially recorded at cost. These assets are subsequently shown at historical cost, less depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items. Subsequent costs are included in asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Description	Years
Leasehold improvement	8
EDP Equipment and software	4
Motorised ground support equipment	10 – 15
Non motorised ground support equipment	7
Furniture and equipment	8
Motor vehicles	4
Fuel and water tank	8
Internet installation	4
Cold storage facility	15

Major renovations are included in the assets' carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance expenditure is charged to the profit and loss account during the financial period in which it is incurred.

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 de-recognition of the asset, (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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.

Gain or losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognized within other operating (losses)/income in the profit and loss account.

f) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, 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 Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 the profit and loss account.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Company as a lessee

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Operating lease payments are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

h) Comparative figures

Where necessary, prior year comparative figures have been reclassified to conform to the presentation in the current year.

i) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the open market less applicable selling expenses. Stores and consumables are stated at cost less any provision for obsolescence.

j) Financial assets

(i) Classification

All financial assets of the Company are classified as loans and receivables, based on the purpose for which the financial assets were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'non current receivables', 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(ii) Recognition and measurement

Loans and receivables are subsequently carried at amortized cost using the effective interest method. Financial assets are derecognized when rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets (continued)

(iv) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

k) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are a classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment (Note i).

l) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, cash on hand and bank overdrafts.

m) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

n) Provisions

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

o) 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.

p) Concession fees

The Company has concession agreements with Tanzania Airport Authority and Kilimanjaro Development Corporation to provide ground handling services at Julius Nyerere International Airport and Kilimanjaro International Airport, respectively. The concession fees are charged to the profit and loss account on a straight-line basis over the period of the concessions.

q) Employees' benefits

(i) Defined contribution plan

All of the Company's employees are either members of the National Social Security Fund ("NSSF") or Parastatal Pension Fund (PPF), which are defined contribution plans. These plans are prescribed by Law. All employees must be a member of at least one of the aforementioned. The Company and employees both contribute 10% of the employees' gross salaries to the NSSF. For PPF, the Company and employees contribute 15% and 5% of the employees' basic salaries to the scheme, respectively. The contribution is charged to the profit and loss account when incurred.

(ii) Defined benefit plan

The Company has an unfunded non-contributory employee gratuity arrangement for its permanent and pensionable employees (the "Arrangement"), which provides for lump sum payments to its employees on their retirement at the age of between 55 and 60 years or those allowed to retire early or who die while in service, based on length of service and salary at retirement and qualifies as a defined benefit plan. Payments to the retired employees are made from the Company's internally generated funds.

The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately. The Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit and loss.

The defined benefit liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds as explained in note 22), less past service costs

r) Income 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 or substantively enacted by the balance sheet date. The current rate of corporate taxation is 30%.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at balance sheet 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 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 the investments in 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 income tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and tax losses can be utilized 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 transaction, affects neither accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with the investments in associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of the deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is 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 liability settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised in the statement of changes in equity is recognised in equity and not in the profit and loss account.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same tax authority on the same taxable entity.

Income tax (continued)

Value added tax

Revenues, expenses and assets are recognised at amounts net of value added tax except where the value added tax is incurred on a purchase of an asset or service 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.

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 balance sheet.

Tax exposures

In determining the amount of current and deferred tax, the Company takes into account 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 Company 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.

s) Dividends distribution

It is the Company's policy to pay 80% of its profit for the year as dividends to its shareholders.

Final dividends distribution to the Company's shareholders is recognised as a liability in the Company's balance sheet in the period in which the dividends are approved by the Company's shareholders. Directors may from time to time pay interim dividend to members as appear to the Directors to be justified by the Profit of the Company.

t) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based. Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company 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:

Post-employment benefit obligations

Significant assumptions are made by the directors in determining the present value of the retirement benefit obligation as at the balance sheet date. The key assumptions are set out in Note 22 to the financial statements.

Income tax

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

Asset useful lives

The useful lives of items of property, plant and equipment are estimated annually and are in line with the rate at which they are depreciated.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company’s principal financial liabilities comprise of trade payables. The Company does not enter into derivative transactions for trading purposes. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from its operations.

The Company’s activities expose it to a variety of financial risks; foreign currency, credit and liquidity risks. The Company’s overall risk management programme seeks to minimize potential adverse effects on the Company’s financial performance. Risk management is carried out by the management on behalf of the Board of Directors. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company’s exposure to the risk of changes in foreign exchange rates relates primarily to the Company’s operating activities (when revenue or expense is denominated in a different currency from the Company’sfunctional currency mostly US dollars, British Pounds and EURO).

The Company manages its foreign exchange risk by forecasting the amount of foreign currencies they require and hold an equivalent amount in foreign currencies (US dollar and EURO). As at 31 December the Company held USD 2,430 million, USD 1,589 million and USD 156 million (2011: USD 2,448 million, USD 1,553 million and USD 229 million) in cash, trade receivables and trade payables.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rates, with all other variables held constant, of the Company’s profit before tax (due to changes in the fair value of monetary assets and monetary liabilities).

Foreign currency sensitivity (continued)

The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in US$ rate	Effect on profit before tax TShs M	Effect on equity TShs M
2012	+10%	598	418
	- 10%	(598)	(418)
2011	+10%	641	448
	- 10%	(641)	(448)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Customers are given a credit of 30 days and there are no credit limits. The credit quality of the customer is assessed by taking into account its financial position, past experience and other factors. The Company does not grade the credit quality of receivables. Outstanding customer receivables are regularly monitored and cash services are delivered to customers who fail to honour 30 days credit period.

The requirement for impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at 31 December 2012 and 31 December 2011 is the carrying value of the financial assets in the balance sheet.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding. The Company aims at maintaining flexibility in funding and aggressive collection efforts in respect of trade debtor's balances. Management monitors rolling forecasts of the Company's liquidity i.e. cash at bank and in hand (Note 20) on the basis of expected cash flows. Forecasted liquidity reserves as extracted from short and medium term future budget of company as at 31 December 2012 is as follows:

Liquidity risk (continued)

	2013
	TShs'M
At 1 January	**4,842**
Operating proceeds	**34,134**
Operating cash outflows	**(25,134)**
Investing activities	**(4,147)**
Financing activities	**(2,599)**
At 31 December	**7,096**

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	Less than 1 year TShs'M	**Between 1 and 2 years TShs'M**	**Between 2 and 5 years TShs'M**	**Over 5 years TShs'M**
At 31 December 2012				
Trade and other payables	3,332	-	-	-
At 31 December 2011				
Trade and other payables	2,079	-	-	-

Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company 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 years ended 31 December 2012 and 31 December 2011. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Company's policy is to keep the gearing ratio at 0%. As of 31 December 2012, the Company had no borrowings and effectively had a gearing ratio of 0%. (2011: 0%).

5 SEGMENT INFORMATION

For chief operating decision maker purposes, the Company is organised into business units based on their products and services and has two reportable segments as follows:

- Ground handling services; and
- Cargo handling services.

No operating segments have been aggregated to form the above reportable operating segments. The chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

However, Company financing (including finance costs and finance income) and income taxes are managed on a Company basis and are not allocated to operating segments.

Other than the allocation of costs there are no transactions between the two units. Segment information about the Company's operations is presented below:

2012 Income and expenses	**Ground handling TShs M**	**Cargo handling TShs M**	**Total TShs M**
Revenue	18,551	11,802	**30,353**
Other operating income	26	27	**53**
Staff costs	(6,151)	(3,166)	**(9,317)**
Concession fees	(1,662)	(1,110)	**(2,772)**
Fuel and maintenance costs	(1,276)	(566)	**(1,842)**
Depreciation	(774)	(699)	**(1,473)**
Rent and other occupancy costs	(346)	(828)	**(1,174)**
Other operating expenses	(2,470)	(1,635)	**(4,105)**
Total expenses	(12,653)	(7,977)	**(20,630)**
Profit before income tax	**5,898**	**3,825**	**9,723**

2012 Assets and liabilities	**Ground handling TShs M**	**Cargo handling TShs M**	**Unallocated TShsM**	**Total TShs M**
Total assets	9,442	8,417	631	**18,490**
Total liabilities	4,209	2,743	-	**6,952**
Capital expenditure	141	1,931	362	**2,434**

2011 Income and expenses	**Ground handling TShs M**	**Cargo handling TShs M**	**Total TShs M**
Revenue	16,864	11,125	**27,989**
Other operating income	285	36	**321**
Staff costs	(5,353)	(2,667)	**(8,020)**
Concession fees	(1,529)	(1,049)	**(2,578)**
Fuel and maintenance costs	(1,079)	(483)	**(1,562)**
Depreciation	(615)	(387)	**(1,002)**
Rent and other occupancy costs	(230)	(776)	**(1,006)**
Other operating expenses	(2,547)	(1,357)	**(3,904)**
Total expenses	(11,068)	(6,683)	**(17,751)**
Profit before income tax	**5,796**	**4,442**	**10,238**

Assets and liabilities	2011 handling TShs M	Ground handling TShs M	Cargo Unallocated TShsM	Total TShs M
Total assets	8,595	6,005	1,591	**16,191**
Total liabilities	3,643	1,840	-	**5,483**
Capital expenditure	872	909	351	**2,132**

Unallocated assets relate to items which are used by both ground handling and cargo handling and cannot be specifically allocated to any of the two segments. These items include: motor vehicles, computer hardware and Accpac software. Unallocated capital expenditure mainly includes motor vehicles.

6 REVENUE

	2012 TShs M	2011 TShs M
Ground handling	**18,551**	16,864
Cargo handling	**11,802**	11,125
	30,353	27,989

7 OTHER OPERATING INCOME

Rental income	**-**	35
Commission on freight charges	**27**	1
Gain on disposal of property and equipment	**26**	-
Foreign exchange gain	**-**	285
	53	321

8 STAFF COSTS

Salaries and wages	**5,730**	4,930
Pension cost – defined contribution plans	**712**	612
Pension cost – defined benefit plan	**578**	533
Other staff costs	**2,297**	1,945
	9,317	8,020

9 CONCESSION FEES

	2012	2011
	TShs M	TShs M
Concession fees – Tanzania Airports Authority	**2,503**	2,335
Concession fees – Kilimanjaro Airport Development Company	**269**	243
	2,772	2,578

Concession fees are paid to Tanzania Airports Authority (TAA) and Kilimanjaro Airport Development Company (KADCO). 5% of the ground and cargo handling revenue is paid to KADCO as concession fees and 10% of the ground and cargo handling revenue is paid to TAA as concession fees.

10 FUEL AND MAINTENANCE COSTS

Fuel – Ground support equipment	**441**	320
Fuel – Motor vehicles	**271**	307
Maintenance – Ground support equipment	**786**	716
Maintenance – Motor vehicles	**344**	219
	1,842	1,562

11 RENT AND OTHER OCCUPANCY COSTS

Rent – TAA	**738**	691
Rent – KADCO	**188**	147
Rent – Others	**11**	12
Utility charges	**237**	156
	1,174	1,006

12 OTHER OPERATING EXPENSES

	2012 TShs M	2011 TShs M
Telecommunication and internet charges	**364**	335
IT and other information processing services	**797**	648
Purchase of ground services	**474**	571
Insurance	**390**	473
Travel and transportation	**156**	196
Legal and consultancy fees	**152**	229
Provision for doubtful debts	**42**	47
Advertising and publicity	**240**	208
Auditor's remuneration - statutory audit	**55**	48
Directors' emoluments	**79**	97
Bank charges	**101**	112
Foreign exchange loss	**124**	-
Other administration expenses	**1,131**	940
	4,105	3,904

13 INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	2012	2011
Current tax charge – current year	**3,156**	3,286
– prior year	**9**	10
Deferred tax credit (Note 14) – current year	**(165)**	(146)
– prior years	**-**	(1)
	3,000	3,149

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the basic tax rates as follows:

	2012 TShs M	2011 TShs M
Profit before income tax	**9,723**	10,238
Tax calculated at a tax rate of 30%	**2,917**	3,071
Expenses not deductible for tax purpose	**74**	69
Prior periods – current income tax	**9**	10
Prior periods – deferred income tax	**-**	(1)
Income tax expense	**3,000**	3,149

The Tanzania Revenue Authority (TRA) has issued final income tax assessments up to 2007. The assessments for the period from 2008 to 2011 are currently in progress.

14 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2012	2011
	TShs M	TShs M
Property and equipment	**514**	584
Provisions - Retirement benefit obligations	**(1,378)**	(1,269)
Net deferred income tax assets	**(864)**	(685)

The gross movement on the deferred income tax accounts is as follows:

At 1 January	**(685)**	(394)
Credit to the profit and loss statement (Note 13)	**(165)**	(147)
Credit to the other comprehensive income	**(14)**	(144)
At 31 December	**(864)**	(685)

15 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share amounts 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. The calculation is based on:

Attributable profit to ordinary shareholders – TShs	**6,723,000,000**	7,089,000,000
	Number	Number
Weighted average number of ordinary shares	**36,000,000**	36,000,000
Basic earnings per share - TShs	**186.75**	196.92

Diluted earnings per share

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.

Attributable profit to ordinary shareholders – TShs	**6,723,000,000**	7,089,000,000
	Number	Number
Weighted average number of ordinary shares	**36,000,000**	36,000,000
Diluted earnings per share – TShs	**186.75**	196.92

16 DIVIDENDS PAID

	2012 TShs M	2011 TShs M
Final dividends for 2011 of TShs 95.25 per share (2010: TShs 54.67 per share)	**3,429**	1,968
Interim dividends for 2012 of TShs 67.50 per share (2011: TShs 62.27 per share)	**2,430**	2,242
	5,859	4,210

The directors propose payment of a final dividend of TShs 81.89 per share, amounting to TShs 2,948 million out of 2012 profit. The proposed final dividend has not been recognised as a distribution during the year; Final dividends are not accounted until they have been ratified by Annual General Meeting.

17 PROPERTY AND EQUIPMENT

	Leasehold properties improvements TShs M	EDP hardware & equipment TShs M	Motorized equipment TShs M	Non-motorized equipment TShs M	Other assets TShs M	TOTAL TShs M
Cost						
At 1 January 2012	563	1,382	5,717	2,611	2,506	12,779
Additions	1,410	545	14	261	204	2,434
Write off	-	(212)	(32)	-	(179)	(423)
At 31 December 2012	**1,973**	**1,715**	**5,699**	**2,872**	**2,531**	**14,790**
Depreciation						
At 1 January 2012	269	1,210	2,397	1,312	1,546	6,734
Charge for the year	61	170	468	242	532	1,473
Write off	-	(212)	(32)	-	(179)	(423)
At 31 December 2012	**330**	**1,168**	**2,833**	**1,554**	**1,899**	**7,784**
Net book value						
At 31 December 2012	**1,643**	**547**	**2,866**	**1,318**	**632**	**7,006**

17 PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold property improvements TShs M	EDP hardware & equipment TShs M	Motorized equipment TShs M	Non-motorized equipment TShs M	Other assets TShs M	TOTAL TShs M
Cost						
At 1 January 2011	563	1,382	4,845	1,702	2,155	10,647
Additions	-	-	872	909	351	2,132
At 31 December 2011	**563**	**1,382**	**5,717**	**2,611**	**2,506**	**12,779**
Depreciation						
At 1 January 2011	224	1,073	1,978	1,191	1,266	5,732
Charge for the year	45	137	428	112	280	1,002
At 31 December 2011	**269**	**1,210**	**2,406**	**1,303**	**1,546**	**6,734**
Net book value						
At 31 December 2011	**294**	**172**	**3,311**	**1,308**	**960**	**6,045**

18 INVENTORIES

	2012 TShs M	2011 TShs M
Spare parts	**178**	174
Stationery	**67**	28
Cleaning materials	**19**	10
Fuel	**54**	30
Uniforms	**82**	85
Less: Provision for impairment on inventories	**(113)**	(140)
	287	187

The amount of write-down of inventories recognized as an expense is TShs Nil (2011: TShs Nil).The cost of inventories recognized as an expense and included in the fuel and maintenance costs amounted to TShs 1,412 million (2011: TShs 880 million).

Movement on the provision for impairment of inventories is as follows:

	2012 TShs M	2011 TShs M
At 1 January	**140**	181
Write offs	**(27)**	(41)
At 31 December	**113**	140

19 TRADE AND OTHER RECEIVABLES

Trade receivables	4,063	3,083
Less: Provision for impairment of receivables	(112)	(69)
Trade receivables- net	3,951	3,014
Deposits and prepayments	1,110	430
Staff receivables	178	68
Building materials revolving fund	43	27
Staff car loans(*)	73	82
Value Added Tax (net)	-	44
	5,355	3,665

Trade receivables are non-interest bearing and are generally on 30 day terms.
(*) The staff car loans excludes TShs 39 million (2011: TShs 48 million) receivable after 1 year.

As at 31 December, the ageing analysis of trade receivables that are past due is as follows:

	2012	2011
	TShs M	TShs M
- by 31 to 60 days	**810**	997
- by 61 to 90 days	**280**	138
- by 91 to122 days	**491**	144
At 31 December	**1,581**	1,279

As at 31 December 2012, trade receivables of TShs 1,581 million (2011: TShs 1,279 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 31 December 2012, trade receivables of TShs 112 million (2011: TShs 69 million) were impaired and provided for. The individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations.

Movement on the provision for impairment of receivables is as follows:

	2012	2011
	TShs M	TShs M
At 1 January	**69**	22
Charge for the year	**43**	47
At 31 December	**112**	69

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	2012 TShs M	2011 TShs M
US dollars	**3,380**	2,490
Tanzanian shillings	**1,884**	1,131
Euro	**91**	44
	5,355	3,665

20 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise:

Cash at bank	**4,825**	5,541
Cash on hand	**17**	20
	4,842	5,561

21 SHARE CAPITAL

Authorised:		
50,000,000 Ordinary shares of TShs 10 each	**500**	500
Issued and fully paid:		
36,000,000 Ordinary shares of TShs 10 each	**360**	360
The issued shares were held as follows:-		
Swissport International Ltd. (a foreign shareholder) – 51%	**184**	184
Local shareholders – 49%	**176**	176
	360	360

All shares rank equally with regard to the Company's residual assets. 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.

22 RETIREMENT BENEFIT OBLIGATIONS

	2012	2011
	TShs M	TShs M
As at 1 January	**3,285**	2,364
Current service cost	**155**	117
Interest cost (discount unwinding)	**423**	416
Actuarial loss	**48**	479
Payments made	**(291)**	(91)
As at 31 December	**3,620**	3,285

The Company has an unfunded non-contributory employee gratuity arrangement for permanent and pensionable employees (the “Arrangement”) which provides for lump sum payments to its employees on their retirement at the age of between 55 and 60 years or those allowed to retire early or those who dies while in employment, based on length of service and salary at retirement and qualifies as a defined benefit plan. A firm of professional actuaries, Alexander Forbes Financial Services of Nairobi, Kenya, carried out the actuarial valuation of the Arrangement as at 31 December 2012 using the Projected Unit Credit Method.

As at 31 December 2012 the present value of the accrued (past service) liability in respect of retirement gratuity benefits was TShs 3,620 million (2011: TShs 3,285 million). The principal assumptions used in the actuarial valuation are:

(i) Discount rate of 15.5%% (2011 – 13%)
(ii) Rate of salary escalation of 12% (2011: 12%)
(iii) Retirement age 60 years (2011: 60 years)
(iv) Mortality pre-retirement A1949-1952 (2011 – A1949-1952)

The ‘notional’ Company contribution rate to meet the cost of future accrual of gratuity benefits is estimated at 7% of salaries per annum. The next valuation is due on 31 December 2013.

The 3-year trend of this non-contributory employee gratuity arrangement is a follows:

	2012	2011	2010
	TShs M	TShs M	TShs M
Present value of the defined benefit obligation	**3,620**	3,285	2,364

The amounts recognised in the profit and loss account are as follows:

	2012	2011
	TShs M	TShs M
Current service cost	**155**	117
Interest cost (discount unwinding)	**423**	416
Total, included in staff costs (Note 8)	**578**	533

Characteristics and risks of the arrangement:
The arrangement provides benefits of a defined nature (i.e salary and service related).One of the main risks relating to the benefits under the arrangement is the rate of salary growth. As the benefits are based on the final salary, any changes in salary that differ from the salary escalation rate assumed will have a direct bearing on the benefits paid under the arrangement. In addition, the benefits are not payable on voluntary termination or resignation. The Company's experience with respect of these withdrawals will also impact the benefits payable under the arrangement, when compared to the assumption made regarding withdrawals.

Sensitivity of the results

The results of the actuarial will be more sensitive to changes in the financial assumptions than changes in the demographic assumptions.

Effect of the reduction of discount rate by -1%	2012 TShs M
Present value of the obligation	3,620
Present value after 1% reduction	3,920

Effect if all staff retire at the age of 55 years

Present value of the obligation	3,620
Present value if all staff retire at the age of 55 years	4,291

Effect on Company's cash flow

The arrangement is unfunded and the Company pays benefits from general revenues as and when they arise.

Maturity analysis of the liability

The weighted average duration of the liability as at 31 December 2012 is 5.5 (2011 – 6.0).

23 TRADE AND OTHER PAYABLES

	2012	2011
	TShs M	TShs M
Airport Authorities – Concession fees	**1,087**	437
Sundry payable and accruals	**1,184**	849
Payable to a related party (Note 24)	**159**	19
Bonus payable	**748**	735
Agency accounts	**74**	39
Value Added Tax – net	**80**	-
	3,332	2,079

* Trade payables are non-interest bearing and are normally settled between 15 to 45 days after date of invoice. All trade and other payables are current;
* Other payables are non-interest bearing and have an average credit term of 30 days; and
* For terms and conditions relating to related party transactions, refer to Note 24.

24 RELATED PARTY DISCLOSURES

Transactions with the related companies

The Company's parent company is Swissport International Ltd. SPI a majority shareholder of the Company. The ultimate holding Company is PAI Partners SAS incorporated in Paris. Other than recharges for the use of Cargo Spot and MPC systems and insurance recharges the Company did not entered into significant transactions with Swissport International Ltd. The Company also did not enter into any transaction with PAI Partners.

The following are the transactions between the Company and its related party, Swissport International Ltd.

2012	2011	
	TShs M	TShs M
(a) Cargospot charges	**149**	72
(b) MPC systems charges	**27**	34
(c) Insurance re-charges	**149**	211

The details of the performance guarantee issued in favour of the Company through Swissport International Ltd. are disclosed in Note 25 to the financial statements.

Payable to a related party		
Swissport International Ltd.	**159**	19

The total remuneration paid to individual directors, which comprised directors fees and sitting allowances were as follows:

	2012	2011
	TShs M	TShs M
Prof. Letitia Rutashobya	**18**	15
Mr Juan J. A. Alvez *	**16**	15
Mr Jeroen de Clercq*	**19**	18
Mr John Batten*	**13**	12
Mr George Fumbuka	**19**	17
	85	77

At 31 December 2012, directors' fees for year 2012 amounting to TShs 79 million (2011 – TShs 91 million) were accrued and not paid to the directors.

*these are paid directly to Swissport International Ltd.

Transactions with key management personnel

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, comprising senior management.

Compensation to key management personnel:

	2012	2011
	TShs M	TShs M
Salaries and short-term benefits	**1,454**	1,114
Post-employment retirement benefits	**2,080**	862

25 COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company has entered into commercial leases on warehouse and office space, motor vehicles and items of machinery. These leases have an average life of five years (2011 – two years) with renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2012	2011
	TShs M	TShs M
Within one year	**1,190**	842
After one year but not more that five years	**3,273**	-

Capital commitments

At 31 December, the Company had the following capital commitments:

	2012	2011
	TShs M	TShs M
Approved and contracted for	**726**	-
Approved but not contracted	**-**	**3,378**

Legal claims contingency

As at 31 December 2012, the Company was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the loss caused by the Company due to breach of contracts and unlawful termination of employment. The Company has filed counter-claims against the plaintiffs. The total principal amount claimed in the various lawsuits approximates to TShs 265 million (2011: TShs 139 million). In the opinion of the Directors and Company's Legal Counsel, no material liabilities are expected to crystallize from these lawsuits.

Guarantee

The Company entered into a concession agreement with Tanzania Airports Authority (TAA) on 1 June 2010 for the provision of ground handling services at Julius Nyerere International Airport (JNIA). TAA required the Company to provide on demand a performance guarantee for US$ 20,000 to secure the due and punctual performance of, and full compliance with, its obligation under the concession agreement.

The performance guarantee of US$ 20,000 was issued on 12 July 2010 by Banco de Sabadell S.A (London Branch) through Swissport International Ltd. The guarantee will expire on 31 May 2015. However, in the event that the term of the concession is extended the validity of this guarantee shall be automatically extended without the necessity of notifying the issuing authority.

26 ULTIMATE HOLDING COMPANY

51% of the Company's ordinary shares are owned by Swissport International Ltd. while the remaining 49% of Company's ordinary shares are owned by the general public. The then ultimate controlling entity is PAI Partners SAS a leading private equity firm in Europe headquartered in Paris.

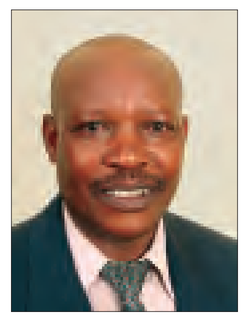
MANAGEMENT TEAM
AS AT 31 DECEMBER 2012

Gaudence K. Temu
Chief Executive Officer

Wandwi Mugesi
Cargo Services Manager

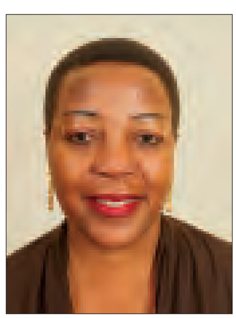
Mrisho B. Yassin
Chief Financial Officer

Stella Kitali
Manager Ground Handling



Ali Sarumbo
Station Manager - JRO

James F. X. Mhagama
Manager Contracts & Marketing



Nyasso L. Gama
Manager Training and Quality & Compliance

Esta S. Maro
Manager Human Resources

Kaseja Kabaka
Head Information & Communication Technology

GENERAL INFORMATION

SWISSPORT TANZANIA LIMITED

Registered Office and Principal Place of Business

Terminal II
Julius Nyerere International Airport
P. O. Box 18043
Dar es Salaam

Company Secretary

Mr Gaudence K. Temu
Terminal II
Julius Nyerere International Airport
P. O. Box 18043
Dar es Salaam

Auditors

KPMG
11th floor, PPF Tower
Garden Avenue/Ohio Street
P. O. Box 1160
Dar es Salaam

Tax Advisors

PricewaterhouseCoopers
Pemba House
369 Toure Drive, Oyster Bay
P. O. Box 45
Dar es Salaam

Lawyers

Tanzania Law Chambers
NSSF House
P. O. Box 2203
Dar es Salaam

Main Bankers

Citibank Tanzania Limited
P. O. Box 71625
Dar es Salaam

CRDB Bank Plc
P. O. Box 96
Hai - Moshi

Twiga Bancorp Tanzania Limited
P. O. Box 10119
Dar es Salaam

Insurers

Phoenix of Tanzania Assurance Co. Limited
IPS Building
P. O. Box 5961
Dar es Salaam

CONTACTS

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Julius Nyerere International Airport
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Tanzania

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