



Swissport Tanzania Limited

# ANNUAL REPORT

# 20 11

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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 31 December 2011, 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 and Auditor's Report on the Financial Statements and Audited Financial Statements.

An interim dividend of TShs 2,242 million or TShs 62.27 per share was paid in November, 2011. The Directors recommend a final dividend of TShs 3,429 million equal to TShs 95.25 per share making the total dividend to be TShs 5, 671 million or TShs 157.52 per share.

A handwritten signature in black ink, appearing to read "J. Alvez", written over a faint circular stamp or watermark.

Juan Jose Andrez Alvez  
Board Chairman  
Swissport Tanzania Ltd

14 March 2012

## CHAIRMAN'S STATEMENT

As the Board Chairman of Swissport Tanzania, I am proud to say that 2011 was a record performance year for our company both in terms of revenue and profitability. It is therefore my great pleasure to present this impressive report.

Globally, a number of challenges were witnessed during year 2011, such as the unrest in Middle East and Northern Africa, world oil price imbalance and the current financial crisis in the Euro zone. Equally, Tanzania as a country faced its own challenges such as rain shortage, acute power rationing etc. all of which contributed in slowing down the country's economic development and led to higher inflation rate during the year.

The foregoing environment notwithstanding, the aviation sector in Tanzania continued to grow thereby impacting positively on our business. Being part of Swissport International group and learning from experience, the company continued with its cost management culture and this together with the increased revenues contributed to this robust performance.

We are pleased that most of our customers either increased frequencies or operated using bigger aircraft during the year. Import cargo volumes catalyzed mostly by the ongoing oil exploration and growth in the mobile telecommunication sector were also on the increase and this helped in improving our performance in 2011 compared to the previous year. Total revenue for the year from both ground handling and cargo services reached TShs 27,989 million which is 37% better when compared to what was realized in 2010. Net profit for the year was TShs 7,089 million which is 62% better over that of 2010.

On 9<sup>th</sup> December 2011 Tanzania celebrated its 50<sup>th</sup> Anniversary of its independence, whilst about 2 month earlier Swissport Tanzania marked 26<sup>th</sup> years since becoming operational. Having served the country's two major ports of call for more than two decades, we are proud to have contributed to the national development by providing excellent ground handling services at JNIA and KIA. The company has managed to operate profitably over the years and continued to contribute to the government coffers through payment of corporate tax and other taxes. Additionally Tanzanian shareholders enjoy steady dividends distribution resulting from profits generated. We are looking forward to continue supporting the nation in its economic endeavors and in this regard, we are planning to further expand and modernize our cargo facilities at JNIA and more emphasis will be given on cold storage facility.

To our customers whom we thank so much for patronizing our company, we would like to assure them of our continued quality service delivery. We will continue to enhance our fleet of ground support equipment and continue to train employees both locally and at our global training centre in Zurich to equip them with necessary skills as far as customer orientation and leadership skills are concerned.



It is just right for us to say that we recognize the support we receive from the Government through Ministry of Transport and its agencies, namely Tanzania Airports Authority and Tanzania Civil Aviation Authority as well as other aviation stakeholders, not forgetting to mention KADCO. We are aware of plans to further liberalize the ground handling business in Tanzania which we support, but it is our opinion that liberalization of ground handling may not be favorable to the industry and the country at large, given the inadequate infrastructure which is not conducive for multiple ground handlers and airlines that are self-handling their flights. Once again, it is still our plea to the Government of Tanzania and its autonomous authorities to continue looking critically at the liberalization of the industry so that quality, safety, security standards as well as labour and staff conditions are not jeopardized, but sustained. The company has also engaged itself in Corporate Social Responsibility in various aspects such as continuous contributions to Tanzania Education Authority fund, donations to emergency relief funds, construction of water wells and support to local hospitals, orphanage centers and schools.

I would not have said "2011 is a record year" but I said so because some people did sweat for this success and these are our general staff as well as Management who went beyond their extremes. I therefore take this opportunity to sincerely thank and commend all of them for this excellent performance.

Finally, I extend my gratitude to my fellow directors for their assistance in the stewardship of this daring company.



Juan Jose Andres Alvez  
**Board Chairman**

**14 March 2012**

## CEO'S REPORT

Our performance in year 2011 was very impressive and outperformed other previous years. We recorded significant growth of both top and bottom line of our business compared to prior years. It is my great pleasure to report that we recorded the best performance ever in the history of our Company, which goes back 26 years ago.

2011 performance was largely contributed by the growth of airline industry in Tanzania, cost control and operational efficiency models which have been implemented by our Company since year 2009. Swissport International played a great deal in making this happen by providing technical support.

Various cost control and efficiency measures which were established by our Company during turbulent times of the world economic crisis, volcanic ashes in European skies and excessive snow, air space and control issues as well as industrial unrest that faced some of our customer airlines, helped our Company to better manage our costs and operations during good times. It is always easy to become complacent during good times but we proved otherwise.

The growth of the airline industry in Tanzania during the year was evidenced by the increase in frequencies by almost all airlines namely Qatar Airways, Air Uganda, RwandAir Express, Ethiopian Airline, Swiss International Airlines, British Airways, Emirates, Fly540, Egypt Air, South African Airways, KLM and Oman Air from the second quarter and last half of the year. We also observed change of equipment from small to larger by certain airlines. We were also proud to welcome and handle Safari Plus and Jet link as new customers. We ended the year sadly by losing Zambezi Airline, Comair and Yemenia from our customer portfolio due to various compelling reasons.

Terrorist threat continued to pose challenges in the airline industry; we have been playing a significant role in collaboration with other state organs in ensuring that our airports are safe. During the year, we acquired two modern dual view scanners for scanning export cargo at both JNIA and KIA.

Our belief that cash is oxygen was maintained throughout the year, hence we continued with our efforts of making sure that all our customers are paying their invoices on due dates. This is reflected on our strong cash balances.

### **Production and Operating Revenue**

In 2011 the Company handled a total of 11,106 flights which is an increase of 24% when compared to 8,923 flights handled in 2010. Embarking passengers handled were 592,286 as compared to 509,071 passengers handled in 2010, this is an increased of 16% when compared to year 2010.

27,605 tons of cargo was handled in 2011 which is 17% increase compared to 23,582 tons handled in 2009. The increase is caused by the increase in import volumes.

The increase in flights and cargo handled had positive financial impact towards our two units (Ground Handling and Cargo Services).

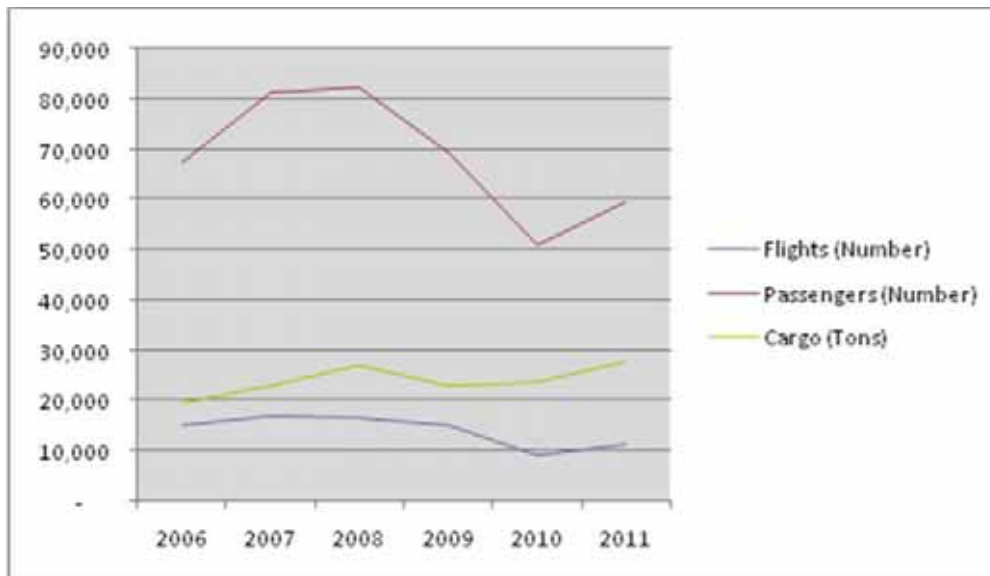


Ground handling revenue was TShs 16,864 million compared to TShs 12,305 million reported in year 2010. The revenue increase is mainly due to aviation industry growth as per the aforementioned details.

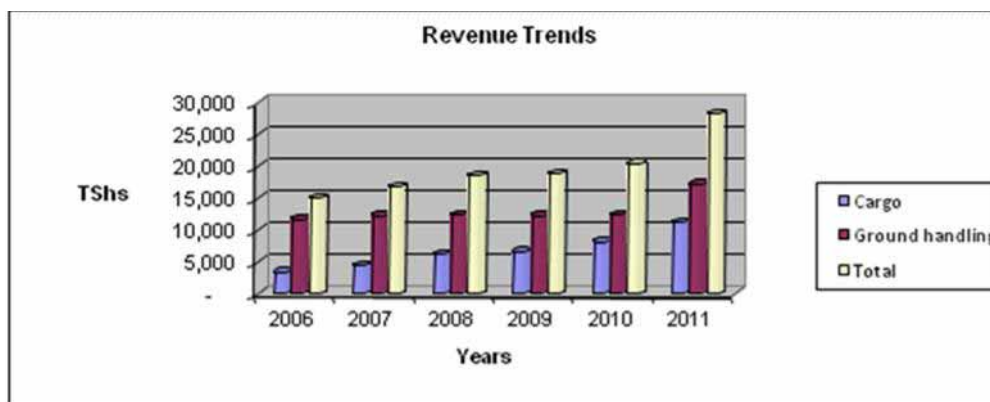
Cargo handling revenue was TShs 11,125 million compared to TShs 8,121 million earned in 2010. The 40% increase in cargo revenue was mainly due to the increase of import volumes and slight increase in the volume of exported perishables and the review of terminal charges.

In view of the foregoing, our total operating revenue for the year grew by 37% to TShs 27,989 million as compared to TShs 20,426 million that was realized in 2010.

### Production Trends



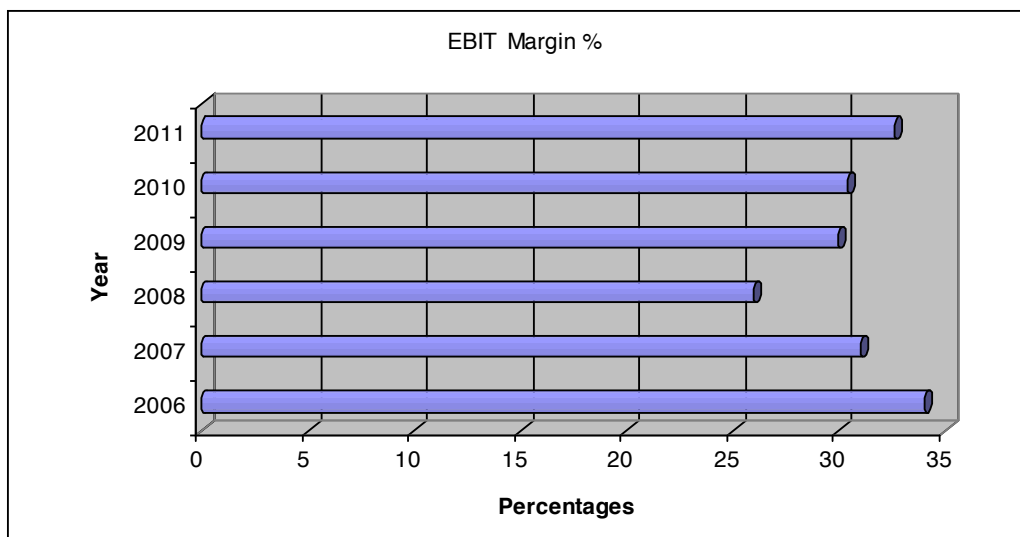
### Revenue Trends



### Profitability

The total operating costs for the year was TShs 18,072 million which is a 25% increase when compared to TShs 14,618 million reported in 2010. This resulted into an operating profit of TShs 10,238 million which is 62% increase when compared to TShs 6,322 million realized in year 2010. The increase in operating costs is a result of increased operational activities. On the other hand the increase in operating profit is mainly due to cost control measures formulated by the management. Our profitability is measured by the EBIT achievement and we have been reporting strong EBIT margin.

## EBIT Margin Trends



### Earnings per share

Earnings per share for the Company were TShs 196.92 compared to TShs 121.44 reported in 2010. This is an increase of 62% and is caused by the increased profitability of the Company.

### Investments

TShs 2,132 million was invested during the year under review compared to TShs 814 million invested in 2010. Major purchases during the year were directed towards improving service delivery to our airline customers and improving safety of cargo uplifted by our airline customers. We purchased a new High Loader for TShs 568 million and two new dual view x-ray machines for TShs 811 million. We also purchased two used apron buses for TShs 130 million and refurbished our Ground Support Equipment for TShs 172 million. Other investments were made on EDP and service vehicles. Investment in Apron Buses was necessary to meet the requirement of the Tanzania Airports Authority. We have prepared assets replacement plan for the next three years. Hence more investment is expected on our Ground Support Equipment in the years to come. Spending of TShs 3,179 million is expected in year 2012.

### Human Resources

Skills of our employees are of paramount importance in delivering quality services to our airline customers. In this perspective we have continued investing in our human capital. 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 year 2011 by Swissport International, where all managers and supervisors were trained on leadership skills at our Head Office in Zurich. Several other trainings were conducted locally on customer service, safety awareness etc. These trainings will continue to be conducted.

### Prospects

We remain committed to ensuring sustainability of our Company by focusing on service delivery to our customers, safety and improved operational efficiency. Swissport International is ISAGO certified and we are in the process of getting our company certified. Our certification will depend on the compliance with ISAGO requirements. ISAGO certification will help us to enhance service delivery and especially safety and health matters.

We foresee slight increase in flight frequencies during the financial year 2012. Our projections are supported by plans presented by our airline customers. Slight growth is expected as 2011 growth was

We are currently expanding the current warehouse to allow proper storage of bulk cargo as a way of ensuring that such cargo is not exposed to rain and bad weather whenever the cargo warehouse is overstretched due to lack of space. We are also constructing a new cold room to complement the existing one. This investment will give space to store more perishable cargo and being able to separate imports and exports. It is our belief; the facility will stimulate more exports of perishable cargo out of Tanzania.

In the near future, we are planning to start construction of a new and modern cargo facility with a capacity to handle 45,000 tons of both general and perishable cargo. This exciting investment is in the pipeline and will start to be implemented in 2012. The project is expected to cost US\$ 15 million. The benefits of this project are to enable our Company:

- To be the major participant and beneficiary of future growth at the airport;
- To retain the major market through improved services to existing and possible new customers;
- To ensure ongoing improvement of services whilst enhancing efficiency;
- To strengthening our market position against expected competition;
- To cater for the expected additional perishable cargo growth; and
- To address the existing cold storage capacity limitation.

As part of our profitable growth strategy, we are continuing to identify projects where we shall be able to invest and grow our business profitably. Several growth opportunities have been identified and we are now at the project evaluation stage. We hope the opportunities are viable and will soon invest into those projects.

The liberalization of the ground handling business at JNIA is likely to move into the second phase in the future, whereby a second ground handler will be concessioned. It is however not known when exactly this will happen. We shall therefore continue taking steps that will ensure our Company is able to compete effectively. Our core strategy of defending and growing profitable revenue, while aggressively managing our cost, is non-negotiable and will be enhanced. It is our understanding that, our customers both local and foreign are quality and safety sensitive and are ready to pay for the best services.

### **Appreciation**

I sincerely thank all our customers for their continued business throughout 2011 and I want to assure them that we shall continue investing in human resources and equipment in order to serve them even better. It is my hope that our customers will not shy away from giving us open and honest feedback on our service levels that will help us continue improving services rendered to them.

Last but not the least, I thank our Board of Directors, employees and management colleagues for working hard and smart and for supporting the Company throughout 2011.

Together we made it and the good performance you witness in this report is a product of our team work.

Thank you very much.



Gaudence K. Temu  
**Chief Executive Officer**

## REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors submit their report together with the audited financial statements for the year ended 31 December 2011, which discloses the state of affairs of Swissport Tanzania Limited (the "Company")

### 1. DIRECTORS

The directors of the company at the date of this report, all of whom have served since 1 January 2011:

Name	Nationality	Position	Remarks
1. Mr. Juan José Andrés 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 José Andrés Alvez



Prof. Letitia Rutashobya



Mr. George Fumbuka



Mr. Jeroen de Clercq



Mr. John Batten

In accordance with the Company's Article 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

<u>Name</u>	<u>Shares</u> 2011	<u>Shares</u> 2010
1 Mr. George Fumbuka	447	547

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

	<u>US\$</u>
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:

	<u>US\$</u>
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 2011 the company had 11,459 shareholders (31 December 2011 –11,491 shareholders). Ten major shareholders are listed below:

<u>Name</u>	<u>Nationality</u>	<u>% of Holding</u>
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

As at 31 December 2010 the company had 11,491 shareholders (31 December 2010 –11,670 shareholders). Ten major shareholders are listed below:

<u>Name</u>	<u>Nationality</u>	<u>% of Holding</u>
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 are as follows:

	<u>2011</u>	<u>2010</u>
	Revenue	Revenue
	TShs M	TShs M
<i>Dar-es-Salaam</i>		
Ground handling services	13,792	10,196
Cargo handling services	9,634	6,750
<b>Sub total</b>	<b>23,426</b>	<b>16,946</b>
<i>Kilimanjaro</i>		
Ground handling services	3,072	2,109
Cargo handling services	1,491	1,371
<b>Sub total</b>	<b>4,563</b>	<b>3,480</b>
<b>Grand total</b>	<b>27,989</b>	<b>20,426</b>

Revenue for the year was 37% higher than the revenue recorded in the year ended 31 December 2010. Both ground and cargo handling services contributed substantially to the revenue increase. The increase in ground handling revenue was due the increase in flight frequencies by Fly540, Qatar Airways, Ethiopian Airlines, Emirates, South African Airways, Executive Aviation, use of bigger aircraft by certain airlines and the introduction of flights by Jetlink and Safari Plus. The increase in cargo handling revenue is due to the increase in volume of import cargo handled and increased efficiency due to cargo processes re-engineering which started in 2009. 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 37% (2010 – 0.8%) increase in ground handling revenue and 36.9% (2010 – 23.7%) in cargo handling revenue. Profit before tax has increased by 62% to TShs 10,238 million (2010: TShs 6,322 million).

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

	<u>2011</u>	<u>2010</u>
Flights handled (Number)	<b>11,106</b>	8,923
Embarking Passengers Handled (Number)	<b>592,286</b>	509,071
Cargo handled – tons	<b><u>27,605</u></b>	<u>23,582</u>

The Company generated enough cash flow to finance its operating activities. During the year the Company generated TShs 6,793 million from its operating activities (2010 – TShs 7,260 million). Operating cash flow is mainly affected by revenue for the year and corporate tax paid during the year. Corporate tax paid in 2011 was Tshs 3,347 (2010 – TShs 1,896 million). The Company is not expecting any significant change of future operating cash flow.

## 5. FUTURE DEVELOPMENTS

The Company foresees slight increase in flight frequencies during the financial year 2012. 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 by increase in chartered and adhoc flights. All of the aforementioned factors will contribute positively towards our ground handling business.

We are aware of the operational plans of Air Tanzania Company Limited (ATCL). If properly implemented then we will see positive growth of frequencies in year 2012. We have taken a conservative approach in our 2012 projections.

Future outlook of our cargo business is also good and the growth of imports for the past 2 years indicates a significant growth of cargo business. The growth of cargo business is contributed by the expansion of the telecommunication sector, importation of medicines and the expansion of mining, oil and gas exploration activities in the country.

On the other hand cargo exports are still very low and we are planning to invest in cold room facility to boost export of perishables.

We are also planning to continue investing in our cargo handling business by expanding our cold storage facility, introduction of bar coded technology and enhancing cargo spot system to better serve our customers and improve efficiency in our business. Our actions in improving service delivery and efficiency in our cargo business is expected to have positive impact to our business. It is also our expectation that various export initiatives programmes will bring positive change in the volumes of exports, hence increasing export revenues.

The Company will continue investing in both ground support equipment and technology to support the business. All the investments will be financed by the internally generated funds. The directors are of the opinion that good financial performance of the Company will be sustained in year 2012.

## **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, which shall be converted into a perishable handling centre. We have requested and we are granted a land measuring 15,000sqm by Tanzania Airports Authority (TAA). It will take the Company 24 months for the facility to be operational after the necessary approvals by the board of directors and Tanzania Airports Authority. The total budget for the construction of warehouse approximates US \$ 15 million.

## **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. Certain airlines have been allowed to do self handling. We are also aware that some other airlines have applied for self handling licenses.

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 future.

Cargo handling services are yet to be officially liberalised. However, in 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.

Despite the expected competition, the directors believe that 2012 financial performance will not be significantly affected by the expected competition.

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

## **8. RESULTS AND DIVIDEND**

The Company achieved net profit for the year of TShs 7,089 million (2010: TShs 4,372 million). The directors recommend the approval of a final dividend of TShs 3,429 million equal to TShs 95.25 fully paid in share (2010 – final dividend of TShs 1,968 million equal to TShs 54.67 per issued and fully paid in share).

An interim dividend of TShs 2,242 million or TShs 62.27 per share was approved in July 2011 making a total dividend for year 2011 to be TShs 5,671 million or TShs 157.52 per share (2010 – TShs 1,530 million or TShs 42.50 per share was approved in August 2010 making the total dividend for the year 2010 to be TShs 3,498 million or TShs 97.17 per share).

## **9. SOLVENCY**

The Company's state of affairs at 31 December 2011 is set out on page 25 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 2011 the performance of the Company's shares in the secondary market was as follows: Market capitalization as at 31 December 2011 was TShs 29,520 million (2010 - TShs 21,600 million), total turnover of Company's shares at DSE was TShs 341 million (2010 - TShs 367 million), average price of company shares was TShs 714 (2010 - TShs 587) and the closing share price as at 31 December 2011 was TShs 820 per share. IPO price in 2003 was TShs 225 per share.

## **11. PERSONS WITH DISABILITIES**

It remains the Company's policy to accept persons with disabilities 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 2011, the Company has 4 employees with disabilities (2010 - 4 employees with disabilities).

## **12. TRAINING**

The Company has a training unit which is also responsible for quality, safety, health and environmental compliance. The unit is headed by a Training, Quality and Compliance Manager. The Manager receives annual training needs from each unit 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 197 million in training (2010 - TShs 101 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 trainings were launched in year 2011 by Swissport International, where all managers and supervisors were trained on leadership skills at our Head Office in Zurich. Seven managers and supervisors were trained in 2011, and these are continuous trainings.

## **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 the performance review process, the Company in year 2011 introduced TALEO system. The system is used by all key management staff and will be gradually rolled out to all staff within Swissport network.

## **14. SUBSEQUENT EVENTS**

At the date of this report, there is no event subsequently to year end.

## **15. 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.

## **16. 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 on monthly basis discussed between COTWU and Management. 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 comprised of 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 family members. Contract staffs are encouraged to join NSSF medical scheme.

### **(d) Uniforms and protective gears**

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

### **(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 provide 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 is 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 at the work place.

**17. RELATED PARTY TRANSACTIONS**

Other than charges for the use of Cargospot and MPC systems, travel 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:

<u>Name</u>	<u>Title</u>
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 Mugesu	Cargo Services Manager
5 Mr. James Mhagama	Contracts and Marketing Manager
6 Mr. Ali Sarumbo	Kilimanjaro Station Manager
7 Mrs. Nyasso Gama	Training, Quality and Compliance Manager
8 Ms. Esta Maro	Human Resources Manager
9 Dr. Kaseja Kabaka	Head of Information, Communication and Technology

\*\*Detailed financial information with related parties is provided in Note 24 to the financial statements.

**18. PROCESS MANAGEMNET**

The Company implements well managed 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.

**19. CORPORATE SOCIAL RESPONSIBILITY**

The Company has a policy of giving back part of its profit to the community by way of charitable donations. During year 2011, the Company provided various support to the community totalling TShs 47 million (2010 – TShs 16 million).

## 20. 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 2011 (2010 – 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 website [www.swissport.co.tz](http://www.swissport.co.tz). The Board uses the Annual General Meeting to communicate with institutional and private investors and welcomes their participation. Furthermore, the Company has a newsletter that is issued quarterly to highlight important activities.

### **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 Officer's Report, and Directors' 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 2011 (2010 – 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 (2010 – 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 auditor 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**

<u>Name</u>	<u>71<sup>st</sup> BOD meeting</u>	<u>72<sup>nd</sup> BOD meeting</u>	<u>17<sup>th</sup> BAC meeting</u>	<u>18<sup>th</sup> BAC meeting</u>	<u>19<sup>th</sup> BAC meeting</u>
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	√	*	*	*

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

**21. 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.

**22. AUDITORS**

These financial statements were audited by PricewaterhouseCoopers, who has been the auditor of the Company for the past 7 years. The majority shareholder has appointed KPMG as group auditor of the group financial statements for year 2011 and going forward. It was therefore agreed that we change our auditor from PricewaterhouseCoopers to KPMG. PricewaterhouseCoopers has been informed about the decision. A resolution proposing the appointment of KPMG as external auditors of the Company for year 2012 will be put to the Annual General Meeting.

**BY ORDER OF THE BOARD**



14 March 2012

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**Mr. Juan Jose Andres Alvez**  
**Chairman Of The Board Of Directors**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2011

The Company Act, CAP 212 Act No. 12 of 2002 requires the directors to prepare financial statements for each financial period that give a true fair view of the state of affairs of the Company as at the end of the financial period and of its profit and loss account. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, CAP 212 Act No. 12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



Date: 14 March 2012

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**Mr. Juan Jose Andres Alvez**  
**Chairman Of The Board Of Directors**

## **REPORT OF THE INDEPENDENT AUDITOR**

TO THE MEMBERS OF SWISSPORT TANZANIA LIMITED

### **Report On The Financial Statements**

We have audited the accompanying financial statements of Swissport Tanzania Limited (“the Company”), which comprise the balance sheet at 31 December 2011, the profit and loss account and statement of comprehensive income, statement of changes in equity and statement of the cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Directors’ responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Act, CAP 212 Act No. 12 of 2002 and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

#### **Auditor’s responsibility**

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that 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 judgement, 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 the directors, 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 accompanying financial statements give a true and fair view of the state of the Company’s financial affairs at 31 December 2011 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.

### Report on Other Legal and Regulatory Requirements

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, CAP 212 Act No. 12 of 2002 and for no other purposes.

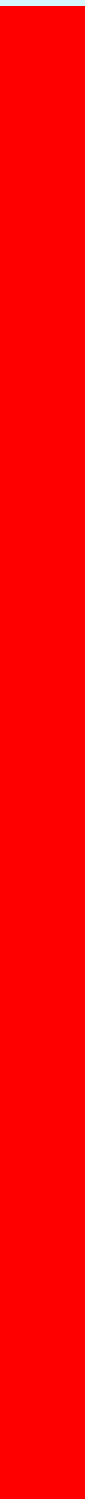
As required by the Companies Act, CAP 212 Act No. 12 of 2002, we are also required to report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

Certified Public Accountants  
Dar es Salaam



Signed by **Nelson E Msuya**

Date: 27 March 2012



## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	<u>2011</u> TShs M	<u>2010</u> TShs M
<b>Revenue</b>	6	<b>27,989</b>	20,426
Other operating income	7	321	514
Staff costs	8	(8,020)	(6,805)
Concession fees	9	(2,578)	(1,694)
Fuel and maintenance costs	10	(1,562)	(1,220)
Depreciation		(1,002)	(868)
Rent and other occupancy costs	11	(1,006)	(850)
Other operating expenses	12	(3,904)	(3,181)
Total operating expense		17,751	14,104
<b>Operating profit before income tax</b>		<b>10,238</b>	6,322
Income tax expense	13	(3,149)	(1,950)
<b>Profit for the year</b>		<b>7,089</b>	4,372
Earnings per shares (TShs) – Basic	15	196.92	121.44
– Diluted	15	196.92	121.44

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	<u>2011</u> TShs M	<u>2010</u> TShs M
<b>Profit for the year</b>	<b>7,089</b>	4,372
Other comprehensive income		
Actuarial loss on retirement be	<b>(479)</b>	(303)
Deferred income tax	<b>144</b>	91
Total other comprehensive income net of tax	<b>(335)</b>	(212)
<b>Total comprehensive income for the year</b>	<b>6,754</b>	4,160



**BALANCE SHEET**

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	<u>2011</u> TShs M	<u>2010</u> TShs M
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	17	6,045	4,915
Deferred income tax assets	14	685	394
Staff receivable	19	48	53
		<b>6,778</b>	<b>5,362</b>
<b>Current assets</b>			
Inventories	18	187	116
Trade and other receivables	19	3,665	2,730
Cash at bank and in hand	20	5,561	5,110
		<b>9,413</b>	<b>7,956</b>
<b>Total assets</b>		<b>16,191</b>	<b>13,318</b>
<b>EQUITY</b>			
Share capital	21	360	360
Retained earnings		10,348	7,804
<b>Total equity</b>		<b>10,708</b>	<b>8,164</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations	22	3,285	2,364
<b>Current liabilities</b>			
Trade and other payables	23	2,079	2,720
Current income tax liabilities		119	70
		<b>2,198</b>	<b>2,790</b>
<b>Total liabilities</b>		<b>5,483</b>	<b>5,154</b>
<b>Total equity and liabilities</b>		<b>16,191</b>	<b>13,318</b>

The financial statements on pages 23 to 52 were authorised for issue by the board of directors on 14 March 2012 and were signed on its behalf by:



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



**Mr. George Fumbuka**  
Director

**STATEMENT OF CHANGE IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Share capital TShs M	Retained earnings TShs M	Total TShs M
<b>Year ended 31 December 2011</b>				
At start of year		360	7,804	8,164
<i>Comprehensive income:</i>				
Profit for the year		-	7,089	7,089
<i>Other comprehensive income:</i>				
Actuarial loss-net of tax		-	(335)	(335)
			(335)	(335)
Total comprehensive income		-	6,754	6,754
<i>Transactions with owners:</i>				
Dividends paid	16	-	(4,210)	(4,210)
At end of year		360	10,348	10,708
<b>Year ended 31 December 2010</b>				
<i>At start of year</i>				
As previously stated		360	6,759	7,119
Prior year reclassification	26	-	212	212
Restated		360	6,971	7,331
<i>Comprehensive income:</i>				
Profit for the year		-	4,372	4,372
<i>Other comprehensive income:</i>				
As previously stated		-	-	-
Prior year reclassification	26	-	(212)	(212)
Total comprehensive income		-	4,160	4,160
<i>Transactions with owners:</i>				
Dividends paid	16	-	(3,327)	(3,327)
At end of year		360	7,804	8,164

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	<u>2011</u> TShs M	<u>2010</u> TShs M
<b>Operating activities</b>			
Profit before income tax		10,238	6,322
Adjustment for:			
Depreciation of property and equipment	17	1,002	868
Provision for retirement benefit obligations	22	553	433
Gain on disposal of property and equipment	7	-	(16)
Working capital adjustments:			
(Increase)/decrease in inventories		(71)	249
(Increase)/decrease in trade and other receivables		(930)	625
(Decrease)/increase in trade and other payables		(641)	979
		<b>10,131</b>	9,460
Retirement benefits paid	22	(91)	(304)
Income tax paid		(3,247)	(1,896)
		<b>6,793</b>	7,260
<b>Investing activities</b>			
Proceeds from disposal of property and equipment		-	26
Purchase of property and equipment	17	(2,132)	(814)
		<b>(2,132)</b>	(788)
<b>Financing activities</b>			
Dividends paid to the Company's shareholders	16	(4,210)	(3,327)
		<b>(4,210)</b>	(3,327)
<b>Net increase in cash and cash equivalents</b>			
		<b>451</b>	3,145
<b>Movement in cash and cash equivalent</b>			
Increase		451	3,145
At 1 January	20	5,110	1,965
<b>At 31 December</b>	20	<b>5,561</b>	5,110

# NOTES

FOR THE YEAR ENDED 31 DECEMBER 2011

## 1. GENERAL INFORMATION

Swissport Tanzania Limited is a limited liability company incorporated under the Companies Act, CAP 212 Act No. 12 of 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 54.

## 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.

### •• Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, CAP 212 Act No. 12 of 2002.

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 2011:

#### (i) Amended standards which became effective during the year

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

<u>Standard/ interpretation</u>	<u>Content</u>	<u>Applicable for financial years beginning on/after</u>
IAS 1	Presentation of financial statements	1 January 2011
IAS 24	Related party disclosures	1 January 2011
IFRS 7	Financial instruments disclosure	1 January 2011

The amendment to IAS 1 and IAS 24 had no significant impact to the Company's financial statements.

The amendments to IFRS 7, 'Financial Instruments - Disclosure' are part of the 2010 Annual Improvements and emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has also removed the requirement to disclose the following;

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated assets that would otherwise be past due but not impaired.

The application of the above amendment has simplified financial risk disclosures made by the Company.

*(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.

**b) Revenue Recognition**

Revenue is recognized 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 hands 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.

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 account 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 revenue.

**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 at the balance sheet date, which are expressed in foreign currencies, 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 recognized in the profit and loss account.

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:

<u>Description</u>	<u>Years</u>
Leasehold improvement	8
EDP Equipment and software	4
Motorized ground support equipment	10 – 15
Non motorized 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 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, plant and equipment is de-recognized 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 derecognized.

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 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 recognized 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 recognized 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 recognized 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 recognized.

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 recognized for the asset in prior years. Such reversal is recognized 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 recognized as an expense in the profit and loss account on a straight line basis over the lease term.

#### **h) Inventories**

Inventories are carried at the lower of cost and net realizable 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 realizable 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.

#### **i) 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 asset's. The Company's loans and receivables comprise 'non-current receivables', 'trade and other receivables' and 'cash at bank and in hand' in the balance sheet.

##### *(ii) Recognition and measurement*

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset. 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. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

##### *(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.

##### *(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.

**j) 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 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 19).

**k) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and cash on hand, net of overdrawn bank balances.

**l) 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.

**m) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at banks and cash on hand, net of overdrawn bank balances.

**n) Provisions**

Provisions are recognized 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 recognized 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 recognized 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. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods

The past service costs are recognized 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 recognized immediately.

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 income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the 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 recognized for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with 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 recognized 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 recognized 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 utilized.

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 realized or liability settled, based on the tax rates that have been enacted at the balance sheet date.

Income tax relating to items recognized in the statement of changes in equity is recognized 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 taxation authority on the same taxable entity.

Value added tax

Revenues, expenses and assets are recognized 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 recognized 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.

**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 recognized 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.

**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 and actuary 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 the determining the Company's overall income tax provision. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Company recognizes 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 exchange, 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 approve 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's functional currency mostly US dollars, British Pounds and EURO).

The Company manages its foreign currency risk by holding cash in the relevant foreign currencies (US dollar and EURO).

##### *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).

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

	<b>Change in <u>US\$ rate</u></b>	<b>Effect on profit <u>before tax</u> TShs M</b>	<b>Effect on <u>equity</u> TShs M</b>
2011	+10%	641	496
	- 10%	(641)	(496)
2010	+10%	602	432
	- 10%	(602)	(432)

##### *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. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Customers are given a credit of 30 days and there are no credit limits. Outstanding customer receivables are regularly monitored and cash services are delivered to customers who fail to honor 30 days credit period.

The requirement for impairment is analyzed 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 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 through an ability to close out market positions. 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 cashflows.

Forecasted liquidity reserves as extracted from short and medium term future budget of company as at 31 December 2011 is as follows:

	<u>2012</u> TShs'M
At 1 January	5,561
Operating proceeds	28,919
Operating cash outflows	(20,563)
Investing activities	(3,179)
Financing activities	(4,903)
<b>At 31 December</b>	<u><u>5,835</u></u>

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 <u>TShs'M</u>	Between 1 and 2 years <u>TShs'M</u>	Between 2 and 5 years <u>TShs'M</u>	Over 5 years <u>TShs'M</u>
<b>At 31 December 2011</b>				
Trade and other payables	2,079	-	-	-
<b>At 31 December 2010</b>				
Trade and other payables	2,720	-	-	-

### 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 maximize 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 2011 and 31 December 2010. 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 2011, the Company had no borrowings and effectively had a gearing ratio of 0%. (2010: 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:

<b>2011</b>	<b>Ground handling</b>	<b>Cargo handling</b>	<b>Total</b>
<b>Income and expenses</b>	<b>TShs M</b>	<b>TShs M</b>	<b>TShs M</b>
<b>Revenue</b>	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)
<b>Profit before income tax</b>	<b>5,796</b>	<b>4,442</b>	<b>10,238</b>

**2011**

<b>Assets and liabilities</b>	<b>Ground handling</b>	<b>Cargo handling</b>	<b>Unallocated</b>	<b>Total</b>
	<b>TShs M</b>	<b>TShs M</b>	<b>TShs M</b>	<b>TShs M</b>
Total assets	8,595	6,005	1,591	<b>16,191</b>
Total liabilities	3,562	1,840	-	<b>5,483</b>
Capital expenditure	872	909	351	<b>2,132</b>

**2010**

<b>Income and expenses</b>	<b>Ground handling</b>	<b>Cargo handling</b>	<b>Total</b>
	<b>TShs M</b>	<b>TShs M</b>	<b>TShs M</b>
<b>Revenue</b>	12,305	8,121	<b>20,426</b>
Other operating income	359	155	<b>514</b>
Staff costs	(4,520)	(2,285)	<b>(6,805)</b>
Concession fees	(1,113)	(581)	<b>(1,694)</b>
Fuel and maintenance costs	(789)	(431)	<b>(1,220)</b>
Depreciation	(563)	(305)	<b>(868)</b>
Rent and other occupancy costs	(152)	(698)	<b>(850)</b>
Other operating expenses	(1,848)	(1,333)	<b>(3,181)</b>
Total expenses	(8,626)	(5,478)	<b>(14,104)</b>
<b>Profit before income tax</b>	<b>3,679</b>	<b>2,643</b>	<b>6,322</b>

**2010**

<b>Assets and liabilities</b>	<b>Ground handling</b>	<b>Cargo handling</b>	<b>Unallocated</b>	<b>Total</b>
	<b>TShs M</b>	<b>TShs M</b>	<b>TShs M</b>	<b>TShs M</b>
Total assets	7,725	3,508	2,085	<b>13,318</b>
Total liabilities	3,551	1,603	-	<b>5,154</b>
Capital expenditure	41	653	120	<b>814</b>

**6. REVENUE**

	<u>2011</u> TShs M	<u>2010</u> TShs M
Ground handling	16,864	12,305
Cargo handling	11,125	8,121
	<u>27,989</u>	<u>20,426</u>

**7. OTHER OPERATING INCOME**

Recovery of bad debts	-	263
Rental income	35	37
Commission on freight charges	1	-
Gain on disposal of property and equipment	-	16
Foreign exchange gain	285	198
	<u>321</u>	<u>514</u>

**8. STAFF COSTS**

Salaries and wages	4,930	4,147
Pension cost – defined contribution plans	612	508
Pension cost – defined benefit plan	533	433
Other staff costs	1,945	1,717
	<u>8,020</u>	<u>6,805</u>

**9. CONCESSION FESS**

Concession fees – Tanzania Airports Authority	2,335	1,521
Concession fees – Kilimanjaro Airport Development Company	243	173
	<u>2,578</u>	<u>1,694</u>

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 8% of the ground and cargo handling revenue is paid to TAA as a concession fees.

**10. FUEL AND MAINTENANCE COSTS**

	<u>2011</u> TShs M	<u>2010</u> TShs M
Fuel – Ground support equipment	320	249
Fuel – Motor vehicles	307	180
Maintenance – Ground Support Equipment	716	555
Maintenance – Motor vehicles	219	236
	<u>1,562</u>	<u>1,220</u>

**11. RENT AND OTHER OCCUPANCY COSTS**

Rent – TAA	691	583
Rent – KADCO	147	118
Rent – Others	12	10
Utility charges	156	139
	<u>1,006</u>	<u>850</u>

**12. OTHER OPERATING EXPENSES**

Telecommunication and internet charges	335	543
IT and other information processing services	648	545
Purchase of ground services	571	552
Insurance	473	213
Travel and transportation	196	123
Legal and consultancy fees	229	191
Provision for doubtful debts	47	-
Advertising and publicity	208	235
Auditors' remuneration - statutory audit	48	54
Directors' emoluments	97	125
Bank charges	112	68
Other administration expenses	940	532
	<u>3,904</u>	<u>3,181</u>

**13. INCOME TAX EXPENSE**

The major components of income tax expense are as follows:

Current tax charge – current year	3,286	1,996
– prior year	10	30
Deferred tax credit (Note 14) – current year	(146)	(39)
– prior years	(1)	(37)
	<u>3,149</u>	<u>1,950</u>

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:

	<u>2011</u> TShs M	<u>2010</u> TShs M
Profit before income tax	10,238	6,322
Tax calculated at a tax rate of 30%	3,071	1,896
Expenses not deductible for tax purpose	69	61
Prior periods – current income tax	10	30
Prior periods – deferred income tax	(1)	(37)
<b>Income tax expense</b>	<b>3,149</b>	<b>1,950</b>

The Tanzania Revenue Authority (TRA) has issued final income tax assessments up to 2007. Assessments up to year 2006 are closed while 2007 assessment is disputed. The assessments for the period from 2008 to 2010 are currently in progress.

#### 14. DEFERRED INCOME TAX

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

	<u>2011</u> TShs M	<u>2010</u> TShs M
Property and equipment	584	530
Provisions	(1,269)	(924)
<b>Net deferred income tax assets</b>	<b>(685)</b>	<b>(394)</b>
The gross movement on the deferred income tax accounts is as follows:		
At 1 January	(394)	(227)
Credit to the profit and loss account (Note 13)	(147)	(76)
Credit to the statement of changes in equity	(144)	(91)
<b>As at 31 December 2011</b>	<b>(685)</b>	<b>(394)</b>

## 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	<b>7,089,000,000</b>	4,372,000,000
	<b>Number</b>	Number
Weighted average number of ordinary shares	<b>36,000,000</b>	36,000,000
Basic earnings per share - TShs	<b>196.92</b>	121.44

### 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	<b>7,089,000,000</b>	4,372,000,000
	<b>Number</b>	Number
Weighted average number of ordinary shares	<b>36,000,000</b>	36,000,000
Diluted earnings per share – TShs	<b>196.92</b>	121.44

## 16. DIVIDENDS PAID

	<u>2011</u> TShs M	<u>2010</u> TShs M
Final dividend for 2010 of TShs 54.67 per share (2009: TShs 49.93 per share)	<b>1,968</b>	1,797
Interim dividend for 2011 of TShs 62.27 per share (2010: TShs 42.50 per share)	<b>2,242</b>	1,530
	<b>4,210</b>	3,327

The directors propose payment of a final dividend of TShs 95.25 per share, amounting to TShs 3,429 million out of 2011 profit. The proposed final dividend has not been recognised as a distribution during the year, as the final dividend are not accounted until they have been ratified by Annual General Meeting.

## 17. PROPERTY AND EQUIPMENT

	Leasehold property improvements	EDP hardware & equipment	Motorized equipment	Non- motorized equipment	Other assets	Total
	TShs M	TShs M	TShs M	TShs M	TShs M	TShs M
<b>Cost</b>						
At 1 January 2011	563	1,382	4,845	1,702	2,155	10,647
Additions	-	-	872	909	351	2,132
<b>At 31 December 2011</b>	<b>563</b>	<b>1,382</b>	<b>5,717</b>	<b>2,611</b>	<b>2,506</b>	<b>12,779</b>
<b>Depreciation</b>						
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
<b>At 31 December 2011</b>	<b>269</b>	<b>1,210</b>	<b>2,406</b>	<b>1,303</b>	<b>1,546</b>	<b>6,734</b>
<b>Net book value</b>						
At 31 December 2011	<b>294</b>	<b>172</b>	<b>3,311</b>	<b>1,308</b>	<b>960</b>	<b>6,045</b>

\*\*\*The Company does not have loan from the financial institutions. Hence assets of the Company are not pledged as security.

	Leasehold property improvements	EDP hardware & equipment	Motorized equipment	Non- motorized equipment	Other assets	Total
	TShs M	TShs M	TShs M	TShs M	TShs M	TShs M
<b>Cost</b>						
At 1 January 2010	205	1,555	4,899	1,497	2,212	10,368
Additions	358	119	-	217	120	814
Disposals	-	(292)	(54)	(12)	(177)	(535)
<b>At 31 December 2010</b>	<b>563</b>	<b>1,382</b>	<b>4,845</b>	<b>1,702</b>	<b>2,155</b>	<b>10,647</b>
<b>Depreciation</b>						
At 1 January 2010	205	1,198	1,621	1,125	1,240	5,389
Charge for the year	19	167	395	87	200	868
Disposals	-	(292)	(38)	(21)	(174)	(525)
<b>At 31 December 2010</b>	<b>224</b>	<b>1,073</b>	<b>1,978</b>	<b>1,191</b>	<b>1,266</b>	<b>5,732</b>
<b>Net book value</b>						
At 31 December 2010	<b>339</b>	<b>309</b>	<b>2,867</b>	<b>511</b>	<b>889</b>	<b>4,915</b>

\*\*\*The Company does not have loan from the financial institutions. Hence assets of the Company are not pledged as security.

**18. INVENTORIES**

	<u>2011</u> TShs M	<u>2010</u> TShs M
Spare parts	174	218
Stationery	28	21
Cleaning materials	10	18
Fuel	30	21
Uniforms	85	19
Less: Provision for impairment loss on inventories	(140)	(181)
	<u>187</u>	<u>116</u>

There were no inventories carried at net realizable value (2010: Nil)

The amount of write-down of inventories recognized as an expense is TShs Nil (2010: TShs 153 million).

The cost of inventories recognized as an expense and included in the fuel and maintenance costs amounted to TShs 880 million (2010: TShs 616 million).

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

At 1 January	181	28
Write offs	(41)	-
Charge for the year	-	153
<b>At 31 December</b>	<u>140</u>	<u>181</u>

**19. TRADE AND OTHER RECEIVABLES**

Trade receivables	3,083	2,529
Less: Provision for impairment of receivables	(69)	(22)
Trade receivables- net	3,014	2,507
Deposits and prepayments	430	110
Staff receivables	68	17
Building materials revolving fund	27	12
Staff car loans(*)	82	84
Value Added Tax (net)	44	-
	<u>3,665</u>	<u>2,730</u>

Trade receivables are non-interest bearing and are generally on 30 day terms.

(\*) The staff car loans excludes TShs 48 million (2010: TShs 53 million) receivable after 1 year

As at 31 December, the ageing analysis of trade receivables that are past due but not impaired is as follows:

	<u>2011</u> TShs M	<u>2010</u> TShs M
- by 31 to 60 days	997	495
- by 61 to 90 days	138	177
- by 91 to 122 days	144	107
<b>At 31 December</b>	<b><u>1,279</u></b>	<b><u>779</u></b>

As at 31 December 2011, trade receivables of TShs 1,279 million (2010: TShs 779 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 2011, trade receivables of TShs 69 million (2010: TShs 22 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:

	<u>2011</u> TShs M	<u>2010</u> TShs M
At 1 January	22	370
Charge for the year	47	-
Unused amounts reversed	-	(348)
<b>At 31 December</b>	<b><u>69</u></b>	<b><u>22</u></b>

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the profit and loss account. 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:

	<u>2011</u> TShs M	<u>2010</u> TShs M
US dollars	2,490	2,012
Tanzanian shillings	1,131	557
Euro	44	161
	<u>3,665</u>	<u>2,730</u>

## 20. CASH AND CASH EQUIVALENTS

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

Cash at bank	5,541	5,096
Cash on hand	20	14
	<u>5,561</u>	<u>5,110</u>

## 21. SHARE CAPITAL

### *Authorised:*

50,000,000 Ordinary shares of TShs 10 each	500	500
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### *Issued and fully paid:*

36,000,000 Ordinary shares of TShs 10 each	360	360
--	-----	-----

The issued shares were held as follows:-

Swissport International Limited (a foreign shareholder) – 51%	184	184
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Local shareholders – 49%	176	176
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	<u>360</u>	<u>360</u>
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**22. RETIREMENT BENEFIT OBLIGATIONS**

	<b>2011</b>	2010
	<b>TShs M</b>	TShs M
As at 1 January	<b>2,364</b>	1,932
Current service cost	<b>117</b>	344
Interest cost (discount unwinding)	<b>416</b>	89
Actuarial loss	<b>479</b>	303
Payments made	<b>(91)</b>	(304)
<b>As at 31 December</b>	<b><u>3,285</u></b>	<u>2,364</u>

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 2011 using the Projected Unit Credit Method.

As at 31 December 2011 the present value of the accrued (past service) liability in respect of retirement gratuity benefits was TShs 3,285 million (2010: TShs 2,364 million). The principal assumptions used in the actuarial valuation are:

- (i) Discount rate of 13% (2010 – 17.5%)
- (ii) Rate of salary escalation of 12% (2010: 12%)

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 2012.

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

	<b>2011</b>	2010	2009
	<b>TShs M</b>	TShs M	TShs M
Present value of the defined benefit obligation	<b><u>3,285</u></b>	<u>2,364</u>	<u>2,235</u>

The amount recognized in the profit and loss account are as follows:

	<b>2011</b>	2010
	<b>TShs M</b>	TShs M
Current service cost	<b>117</b>	344
Interest cost (discount unwinding)	<b>416</b>	89
Total, included in staff costs (Note 8)	<b><u>533</u></b>	<u>433</u>

## 23. TRADE AND OTHER PAYABLES

	<u>2011</u> TShs M	<u>2010</u> TShs M
Airport Authorities – Concession fees	437	1,175
Sundry payable and accruals	868	882
Payable to a related party (Note 24)	-	102
Bonus payable	735	512
Agency accounts	39	20
Value Added Tax – net	-	29
	<u>2,079</u>	<u>2,720</u>

- Trade payables are non-interest bearing and are normally settled between 15 to 45 days after date of invoice;
- 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 Limited, SPI a majority shareholder of the Company. The ultimate holding Company is PAI Partners SAS incorporated in Paris. Other than re-charges for the use of Cargo Spot and MPC systems, travel and insurance recharges, the Company did not enter into significant transactions with Swissport International Limited. 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 Limited.

	<u>2011</u> TShs M	<u>2010</u> TShs M
(a) Cargospot charges	72	60
(b) MPC systems charges	34	13
(c) Travel and insurance re-charges	211	44
(d) Purchase of x-ray machines	-	18

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

	<u>2011</u> TShs M	<u>2010</u> TShs M
<b>Payable to a related party</b>		
Swissport International Limited	-	102

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

Prof. Letitia Rutashobya	15	22
Mr. Juan J. A. Alvez	15	14
Mr. Jeroen de Clercq	18	16
Mr. John Batten	12	10
Mr. George Fumbuka	17	5
	<u>77</u>	<u>84</u>

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

#### 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:

	<u>2011</u> TShs M	<u>2010</u> TShs M
Salaries and short-term benefits	1,114	1,073
Post-employment retirement benefits	862	620

## 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 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:

	<u>2011</u> TShs M	<u>2010</u> TShs M
Within one year	842	711

The Company does not have a lease agreement, where a Company is a lessor and does not have finance lease agreement.

**Capital commitments**

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

	<u>2011</u> TShs M	<u>2010</u> TShs M
Approved and contracted for	-	51
Approved but not contracted	<u>3,378</u>	<u>1,148</u>

**Legal claims contingency**

As at 31 December 2011, 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 139 million (2010: TShs 254 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 Limited. 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. PRIOR YEAR RECLASSIFICATION**

The reclassification relates to the error in recognizing actuarial losses on retirement benefit obligations for the prior period in the opening retained earnings account instead of statement of comprehensive income for the year ended 31 December 2010. The retained earnings account as at 1 January 2010 has been restated as follows:

- Increase in retained earnings at 1 January 2010 of TShs 212 million; and
- Decrease in other comprehensive income for the year ended 31 December 2010 of TShs 212 million.

The prior year reclassification has no impact on the balance sheet and therefore a third balance sheet has not been presented in these financial statements.

**27. ULTIMATE HOLDING COMPANY**

51% of the Company's ordinary shares are owned by Swissport International Limited 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 2011



**Gaudence K. Temu**  
Chief Executive Officer



**Mrisho B. Yassin**  
Chief Financial Officer



**Ali Sarumbo**  
Station Manager - JRO



**Stella Kitali**  
Manager Ground Handling



**Wandwi Mugesu**  
Cargo Services Manager



**Esta S. Maro**  
Manager Human  
Resources



**James F. X. Mhagama**  
Manager Contracts &  
Marketing



**Nyasso L. Gama**  
Manager Training,  
Quality & Compliance



**Kaseja Kabaka**  
Head Information &  
Communication Technology

## GENERAL INFORMATION

### 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

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

### TAX ADVISORS

PricewaterhouseCoopers  
Pemba House  
369 Toure Drive, Oysterbay  
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

### INSURER

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

## YEAR 2011 ACCOLADES

### BEST PRESENTED FINANCIAL STATEMENTS

Swissport Tanzania Limited won the “*third winner for the best presented financial statements*” award in the Tanzania's manufacturing and distribution category (which includes service industry) for the year 2011. The competition is organized by the National Board of Accountants and Auditors.



### OCCUPATIONAL SAFETY AND HEALTH AWARD 2011



Swissport Tanzania Ltd won the prestigious “*Occupational Safety and Health Award 2011*”. The company emerged the country's first winner in the service industry category. The competition is organized by Occupational Safety and Health Authority (OSHA) to recognize companies and institutions that are best performers in Safety and Health issues at workplaces

## SWISSPORT TANZANIA IS PROUD TO BE PART OF GLOBAL ACCOLADES...

### GLOBAL GROUND HANDLING COMPANY OF THE YEAR 2011

Swissport International again was named “*The Best Ground Handling Company of the Year*” by the renowned Institute for Transport Management. Swissport International earned this prestigious industry distinction for 11 years in succession.



### CARGO HANDLER OF THE YEAR AFRICA

In March 2011 – Swissport International, was named “*Cargo Handler of the Year - Africa*” by the readers of the renowned STAT TIMES, the internationally reputed specialist magazine for the cargo and logistics sector.

### AIR CARGO HANDLER OF THE YEAR 2011

For the third year in row, in May 2011, Swissport International was voted “*the Air Cargo Handler of the year 2011*” on the prestigious ACW Cargo Awards.







# CONTACTS

## **Registered office**

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## **Branch Office**

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