From landing to take-off: We care!

SWISSPORT TANZANIA PLC

ANNUAL REPORT 2019

swissport


ASPIRE
All Departures

CONTENTS

Certified:
ISAGO
ISO 9001: 2015 Quality Management System
ISO 14001: 2015 Environmental Management System

2019 KEY FACTS

18.8 CARGO TONS HANDLED (THOUSAND)

8.4 FLIGHTS HANDLED (THOUSAND)

569 PASSENGERS SERVED (THOUSAND)

2 CARGO WAREHOUSES

>721 EMPLOYEES

4 AIRPORTS

>23 AIRLINE CUSTOMERS

Certified:
ISAGO
ISO 9001: 2015 Quality Management System
ISO 14001: 2015 Environmental Management System

LETTER OF TRANSMITTAL

To
The shareholders
Swissport Tanzania Plc.

Letter of Transmittal,

The Directors of Swissport Tanzania Plc. have the pleasure to submit to you the Annual Report of the company for the year ended 31st December 2019, in accordance with section 166 of the Companies Act, CAP 212 Act No. 12 of 2002.

The annual report contains the Chairman's Statement, CEO's Report, Report of the Directors, Auditors' Report on the Financial Statements and the Audited Financial Statements for the year ended 31st December 2019.

Jeroen Clercq
Board Chairman
Swissport Tanzania Plc.
27 May 2020

OUR ESTEEMED CUSTOMERS

AB AVIATION

AIR TANZANIA

AS SALAAM AIR

ASTRAL AVIATION

AIR ZIMBABWE

CONDOR AIR

FLIGHTLINK

ETHIOPIAN AIRLINES

EWA AIR

KENYA AIRWAYS

KLM ROYAL DUTCH AIRLINES

MOZAMBIQUE AIRLINES

AIR MAURITIUS

MALAWI AIRLINES

MARTINAIR

EGYPT AIR

OMAN AIR

QATAR AIRWAYS

SOUTH AFRICAN AIRWAYS

SWISS INTERNATIONAL AIRLINES

TURKISH AIRLINES

EMIRARES

UGANDA AIRLINES

CLEARING AND FORWARDING AGENTS

Julius Nyerere International Airport (JNIA)
Kilimanjaro International Airport (KIA)
Cargo customers

THE CHAIRMAN'S STATEMENT

Esteemed shareholders, customers and other stakeholders,

I am pleased to report the Company's financial results for the year ended 31st December 2019. Financially, this was a difficult year as the Company suffered yet again a negative financial impact as a consequence of the fully liberalized ground handling market. The revenue from the ground handling business decreased substantially due to the exit from the market by Fastjet and Etihad Airways, the price reduction offered to the airline customers and the loss of a small number of airline customers to our competitors. Cargo business performance remained relatively stable throughout the year, mainly due to the fact that we are maintaining almost 98% of the cargo market share. Despite reporting the declining financial results due to the changes of the market conditions, we are proud to remain the market leader in the ground handling business in Tanzania. Our significant global experience in competitive markets, coupled with our strong focus on delivering a quality product and partnership with the airlines, made this possible.

The reported financial trend was anticipated as a consequence of the ongoing ground handling market transformation in Tanzania. To remain sustainable, we formulated and implemented several measures to improve operational efficiency and mitigate operating costs. The outcome of these measures were pleasing, as the company is operating more efficiently and significant costs were saved during the year.

Towards the end of the year we successfully added Uganda Airlines and Air Tanzania to our customer base. The latter is the National Carrier of Tanzania and we are delighted to have the opportunity to handle them. We shall endeavour to provide ATCL the best level of service, which meet and exceed expectations to support their ambitious and exciting growth plan. We salute Government efforts to revive Air Tanzania, which without doubt, will enable the growth of the aviation and tourism sectors in the country.

The Tanzania Airport Authority officially opened the operation of Terminal Three in August 2019. This state-of-the-art terminal has resolved infrastructure challenges that have been affecting the ground handling business and the traveling community for many years. I take this opportunity to congratulate the Government of Tanzania for successfully implementing this project, which has provided a facelift to our airport and which contributes substantially to improving the service delivery and safety of our people and operations.

We have successfully completed the implementation of phase three of the export handling improvement project. Swissport Tanzania can now handle more volume of perishable products, provide segregate storage and maintain consistent temperatures. This is expected to promote export of perishable products in line with the Government initiatives. We spent TZS 2.3 billion to upgrade the facility in 2019 and in total we spent TZS 3.3 billion since the project began in 2013. We are still engaging with KADCO to secure an approval to upgrade the cold room facility and construct a new general cargo facility at Kilimanjaro International Airport. We still believe the existing general cargo facility is dilapidated and unsafe for use.

Safety has remained our number one priority. We continued to embrace internally approved safety improvement initiatives and, as a result, our safety performance was robust and more improvements are expected in the years to come.

To enhance the quality of our cargo services, Swissport Tanzania applied for RA3 certification. After a comprehensive validation process by an independent Aviation Security Validator, Swissport Tanzania was awarded RA3 certification. RA3 certification entails that Swissport Tanzania Plc Dar

» Continuous improvement is at the heart of everything we do. «

Es Salaam has SOP's, plans and procedures in place to ensure that EU/EEA bound air cargo and/or air mail does not need to be rescreened on arrival within the European union.

Swissport Tanzania was also re-certified for IATA's Safety Audit for Ground Handling Operations (ISAGO). This demonstrates our strong commitment towards the safety of our ground handling operations.

We successfully renewed our concession to operate at Kilimanjaro International Airport (KIA) and we are in the discussion with Tanzania Airports Authority for the renewal of our concession to operate at Julius Nyerere International Airport (JNIA). During the year we lost concessions to operate at Songwe and Mtwara airports and subsequently closed the aforementioned stations in December 2019. No major financial impact shall be suffered by the closure of either of these stations.

The outbreak of COVID-19 towards the end of 2019 has negatively affected our 2020 projections and will have a major influence on the financial performance of Swissport Tanzania for the year ending 31st December 2020. We are carefully monitoring the situation and taking appropriate actions to protect the safety and health of our staff and respond to the rapidly changing business landscape. Besides the impact of COVID-19 the business has laid down plans and strategies to retain customers, remain compliant and competitive, and achieve financial sustainability based on our 2019 performance.

We thank our esteemed customers for their patronage over the years and we appreciate the support we have been receiving from the Ministry of Works, Transport and Communications, the Tanzania Civil Aviation Authority (TCAA), the Tanzania Airport Authority (TAA), the Kilimanjaro Airport Development Company (KADCO) and the rest of stakeholders. We understand the performance of Swissport Tanzania is largely depending on their support.

Despite the changing business environment our staff have demonstrated dedication, loyalty and commitment towards achievement of the company's strategic objectives. I therefore would like to thank all employees and the management team for their commendable efforts in 2019 and in the past years. Last but not the least, I would like to thank my fellow Board Directors for their support.

Asanteni Sana.

Jeroen de Clercq
Board Chairman
Swissport Tanzania Plc.

TAARIFA YA MWENYEKITI

Ndugu wanahisa,

Napenda kutumia fursa hii adhimu kuripoti matokeo ya kibiashara ya Swissport Tanzania Plc. kwa mwaka wa fedha uliomalizika tarehe 31 Desemba 2019. Kifedha, mwaka 2019 ulikua mgumu kwani matokeo ya kibiashara yalipungua kulinganisha na miaka ya nyuma kwa sababu ya changamoto za ushindani.

Mapato yatokanayo na huduma za abiria na ndege "ground handling" yalipungua sana kutokana na mashirika ya Fastjet na Etihad Airways kusitisha shughuli zao nchini, punguzo la bei lililotolewa kwa wateja na baadhi ya wateja kuhamia kwa washindani wetu. Shughuli za kuhudumia mizigo zilibaki imara kwa mwaka mzima na matokeo yake ya kibishara yalikuwa mazuri, hii ni kwa sababu bado tunahudumia takribani asilimia 98% ya mizigo katika sekta ya usafiri wa anga.

Pamoja na kuripoti kupungua kwa matokeo ya kifedha kutokana na mabadiliko ya hali ya soko tunajivunia kuendelea kuongoza soko (market leader) katika sekta ya kuhudumia ndege "ground handling" Tanzania. Hii inatokana na kukubalika kwa huduma zetu kwa wateja na uzoefu wetu wa kufanya kazi katika masoko ya ushindani ulimwenguni.

Matokeo haya ya kibiashara yanayoripotiwa yalitarajiwa kutokana na mabadiliko yanayoendelea katika uwanda wetu wa biashara. Ili kuhakikisha kampuni yetu inabaki kuwa endelevu, tuliandaa na kutekeleza hatua kadhaa za kuboresha ufanisi wa kiutendaji na kupunguza gharama za uendeshaji. Matokeo ya hatua hizi yalikuwa mazuri, kampuni inafanyakazi kwa ufanisi mkubwa na gharama kubwa ziliokolewa.

Mwishoni mwa mwaka 2019 tulifanikiwa kupata wateja wapya wafuatao: Uganda Airlines na Air Tanzania. Tunafurahi kupata fursa ya kulihudumia shirika la ndege la taifa (Air Tanzania) na tutatoa huduma bora kwa Air Tanzania kama tunavyowahudumia wateja wetu wengine ili kuunga mkono juhudi zake za ukuaji wa kibiashara. Tunapongeza juhudi za serikali za kulifufua shirika la ndege la Air Tanzania, uamuzi huo unawezesha ukuaji wa sekta ya anga na utalii nchini.

Mamlaka ya Viwanja vya Ndege (TAA) ilifungua rasmi jingo jipya la tatu (Terminal Three) la uwanja wa ndege wa Kimataifa wa JNIA mwezi Agosti 2019. Jengo hili limetatua changamoto nyingi za kiutendaji zilizokua zinatukabili sisi na watumiaji wengine wa uwanja wa ndenge wa Kimataifa wa JNIA kwa miaka mingi. Nachukua nafasi hii kuipongeza Serikali ya Tanzania kwa kutekeleza mradi huu muhimu ambao umeboresha muonekano wa uwanja wetu wa ndege na ambao unachangia sana katika kuboresha utoaji wa huduma na usalama kwa watumiaji wote wa uwanja.

Tumefanikiwa kukamilisha utekelezaji wa awamu ya tatu wa mradi wa uboreshaji wa bohari la mizigo inayosafirishwa kwenda nje ya nchi "export". Kwa sasa, tunaweza kuhudumia bidhaa nyingi zinazoharibika haraka ''perishables'' kama nyama, samaki, maparachichi na maua katika mazingira na viwango vya joto vinavyostahili. Tunatarajia hatua hii itachochea biashara ya uuzaji wa bidhaa zinazoharibika haraka nje ya nchi sambamba na mipango ya Serikali ya kukuza biashara ya nje (Export Business). Tumetumia shilingi bilioni 2 kuboresha jengo hili ndani ya mwaka 2019 na kwa ujumla tumetumia shilingi bilioni 3 kwa mradi wote tangu 2013.

Bado tunawasiliana na KADCO ili kupata idhini ya kuboresha bohari la kuhifadhi mizigo inayoharibika haraka "Cold room'' na kujenga bohari jipya la mizigo ya kawaida. Tunatambua bohari la mizigo ya kawaida limechakaa na sio salama kwa matumizi ya kila siku.

Usalama umeendelea kuwa kipaumbele chetu cha kwanza. Tuliendelea kutekeleza mipango yetu ya kuboresha usalama na hivyo kufanikiwa kupata matokeo bora ya utendaji katika eneo la usalama na tunatarajia matokeo bora zaidi siku zijazo. Tunajivunia mafanikio haya.

» Maboresho endelevu ndio msingi wa kila jambo tunalofanya. «

Ili kuboshera ubora wa huduma zetu za usalama wa mizigo na kuhakikisha tunafuata taratibu za kiusalama wakati wa kuhudumia mizigo iendayo katika nchi zinazounda Umoja la Ulaya tuliomba cheti cha RA3 kutoka Umoja wa Ulaya. Baada ya mapitio ya kina ya mfumo wetu wa kiusalama na utendaji wake kupitia Mkaguzi wa kujitegemea aliyethibitishwa na Umoja Wa Ulaya "EU", Swissport Tanzania ilithibitishwa kuwa na mfumo mzuri wa kiusalama na hivyo kupatiwa cheti cha RA3. Cheti cha RA3 kinathibitisha kwamba, Swissport Tanzania Plc, katika kituo cha Dar Es Salaam inafuata taratibu zinazohakikisha kuwa mizigo ya anga au barua zinayopelekwa katika nchi za EU/EEA zinazingatia kanuni husika za usalama katika vituo vya ukaguzi.

Swissport Tanzania pia iliuhuisha cheti cha IATA's Safety Audit for Ground Handling Operations (ISAGO). Hii inathibitisha dhamira ya kampuni ya kuhakikisha inatoa huduma bora na salama.

Ndani ya mwaka 2019, tulifanikiwa kuhuisha ridhaa ''concession''ya kutoa huduma katika kiwanja cha ndege cha Kimataifa cha Kilimanjaro (KIA) na pia tunaendelea na majadiliano ya kuhuisha ridhaa ya kutuoa huduma katika Kiwanja cha kimataifa cha Julius Nyerere (NJIA). Pia tulipoteza ridhaa ya kutoa huduma katika viwanja vya Songwe na Mtwara. Hakuna athari kubwa za kibiashara zilizotokana na hatua hii.

Mlipuko wa ugonjwa wa COVID-19 mwishoni wa mwaka wa 2019 umeathiri vibaya makadirio yetu ya kibiashara ya mwaka 2020. Ugonjwa huu utakuwa na ushawishi mkubwa kwa matokeo ya kiabishara ya mwaka utakaoisha tarehe 31 Disemba 2020. Tunafuatilia kwa umakini athari za ugonjwa huu na kuchukua hatua stahiki za kulinda usalama wa afya za wafanyakazi wetu na kukabiliana na athari za kibiashara. Ukiondoa athari za ugonjwa wa COVID-19 kampuni imeweka mipango na mikakati ya kuwabakiza wateja, kupunguza gharama na kukabiliana na ushindani ili kuendelea kuwa endelevu.

Tunawashukuru wateja wetu kwa kuendelea kufanyakazi na sisi na tunawashukuru wizara Mawasiliano na Uchukuzi, Mamlaka ya Usafiri wa Anga Tanzania (TCAA), Mamlaka ya Viwanja vya Ndege (TAA), Wasimamizi wa Uwanja wa Kimataifa wa Kilimanjaro (KADCO) na wadau wengine wote kwa kuendelea kutupa ushirikiano katika shughuli zetu. Tunatambua kwamba utendaji na mafanikio ya Swissport Tanzania kwa kiasi kikubwa unategemea juhudi za wadau wote hawa kwa pamoja.

Licha ya mabadiliko ya hali ya kibiashara wafanyakazi wetu wameonyesha kuthamini na kujali kazi, uaminifu na kujituma katika kufikia malengo ya kampuni. Kwa hivyo napenda kuwashukuru wafanyakazi wetu wote na menejimenti ya Swissport kwa juhudi zao katika mwaka wa 2019 na miaka iliyopita. Vile vile napenda kumalizia kwa kuwashukuru wajumbe wenzangu wa Bodi ya Wakurugenzi kwa masaada mkubwa wanaonipatia katika kutekeleza majumu yetu.

Asanteni sana.

Jeroen de Clercq
Mwenyekiti wa Bodi
Swissport Tanzania Plc.

2019 CEO REPORT

The Company continued to record a declining financial performance as a consequence of the competition in the ground handling business in Tanzania. The presented financial results were largely influenced by the decline of the business volume and full year impact of discounts offered to the airline customers in 2018.

Our largest customer, Fastjet Airlines Tanzania Ltd stopped its operations in Tanzania towards the end of 2018. This had a massive negative impact to the number of flights handled in 2019. Fastjet alone operated 3,293 flights in 2018 while we handled 8,421 flights in 2019 being a decrease of 5,630 flights from year 2018. Further to the loss of Fastjet and Etihad Airways, due to the cessation of business in Tanzania, we also lost Rwandair and KLM (passenger handling business) to our competitor. This compounded the loss of business in 2019.

Price reductions offered to the airline customers for our services had also resulted to a negative impact in 2019 financial performance. The revenue impact of the price discounts was negative 6% when compared to 2018.

Due to the aforementioned factors the Company's revenue in year 2019 decreased by 26% when compared to year 2018, while operating costs decreased by 15%. We responded to the plunge in revenue by reducing operating costs. However, the costs saved did not offset in full the revenue loss.

Cost saving initiatives taken by the management included, but was not limited to, the restructuring of the business in order to improve operational efficiency, the reduction of staff and the outsourcing of the staff transport service. These measures contributed to helping the Company to remain sustainable and profitable.

Despite losing a few airline customers to the competition, we successfully retained a significant market share of both ground handling and cargo handling businesses. In 2019, the Company continued serving Emirates, Swiss International Air Lines, Qatar Airways, Turkish Airlines, Oman Air, Air Zimbabwe, Kenya Airways, South African Airways, Ethiopian Airlines (at JNIA), KLM (cargo business), Martin Air Cargo, CONDOR, AB Aviation, Air Mauritius, Malawian Airlines, EWA Air, Air Mozambique and Uganda Airlines.

In July 2019 we registered Uganda Airlines as our newest customer. We do hope they will grow stronger and continue contributing to our business.

In December 2019, we won a tender to handle Air Tanzania (ATCL), the National Carrier. We are proud to be chosen to handle the National Carrier and we are determined to offer ATCL high class services and grow with them. We started handling ATCL flights at JNIA and KIA on 1st January 2020.

We thank all our customers for their patronage.

The ground handling business has been significantly hit by the impact of the competition while cargo business has remained stable and continues contributing positively to the business.

To improve the quality of our services we ensured full compliance with Service Level Agreements (SLA's) agreed with the airline customers. Additionally, we restructured the business to respond to the needs of our customers and to the size of the business. Where necessary we changed personnel to foster efficiency.

We continued training staff for all business critical and functional training syllabuses. We also subjected our supervisors and managers to Active Supervision and Active Leadership training to enhance leadership competencies of the staff.

» Safety: Our Duty: Our Life. «

Our safety performance continued to be strong. We worked diligently and closed the year without recording any aircraft damage in our operations. Safety culture among the team is improving, which is evidenced by the increase in the number of safety observations reported during the year.

We remain focused on the roadmap to build upon our safety culture and make Swissport a safer place to work. A number of safety performance improvement initiatives were introduced in the year 2019 to nurture the achievements of safety performance objectives set out in our safety roadmap. The initiatives are very much appreciated by staff, airlines, airport authority and other airport stakeholders. In turn we improved the quality of our services and registered a limited number of safety incidents. To enhance our safety, we will sustain our training and safety culture and uphold our safety motto, **Safety: Our Duty: Our Life.**

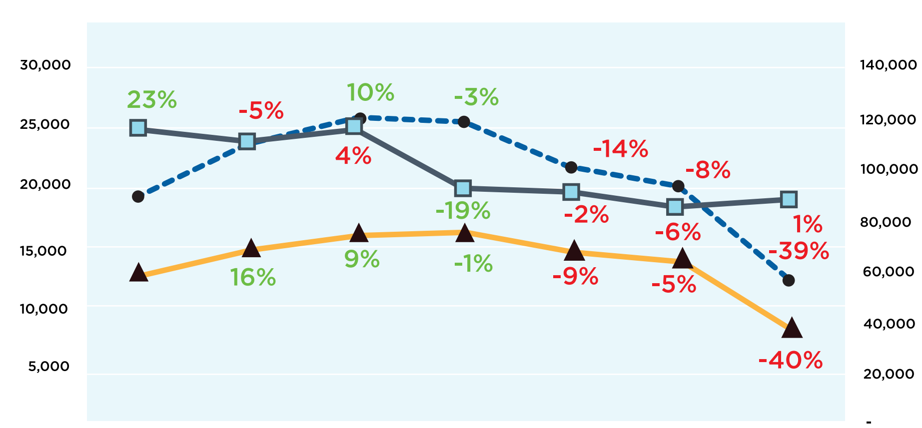
Production

During the year, we handled a total of 8,421 flights from 14,051 flights handled in 2018; this is a decrease of 5,630 flights, or 40% from the number of flights handled in 2018. The decrease was attributed by the cessation of operations by Fastjet and Etihad Airways, the loss of Rwandair and KLM, and the reduced frequencies by some of our airline customers. We lost 3,293 flights from Fastjet.

Our cargo tonnage was marginally higher vis-à-vis last year with 18,779 tons of cargo being handled compared to 18,551 tons handled in 2018. This was an increase of 228 tons tons or 1% from the volume of cargo handled in 2018. The increase in cargo volume was attributed to the increase in export of perishable products, in particular avocados.

The cargo business is still very stable compared to the ground handling business, the latter of which has been significantly affected by the ongoing liberalization of the ground handling market.

Production Trends



	2013	2014	2015	2016	2017	2018	2019
cargo (tons)	25,126	23,908	24,874	20,145	19,676	18,551	18,779
Gross flight	13,098	15,225	16,534	16,299	14,792	14,051	8,421
Passengers	90,535	111,116	121,832	118,353	101,325	92,845	56,864

Revenue Trend

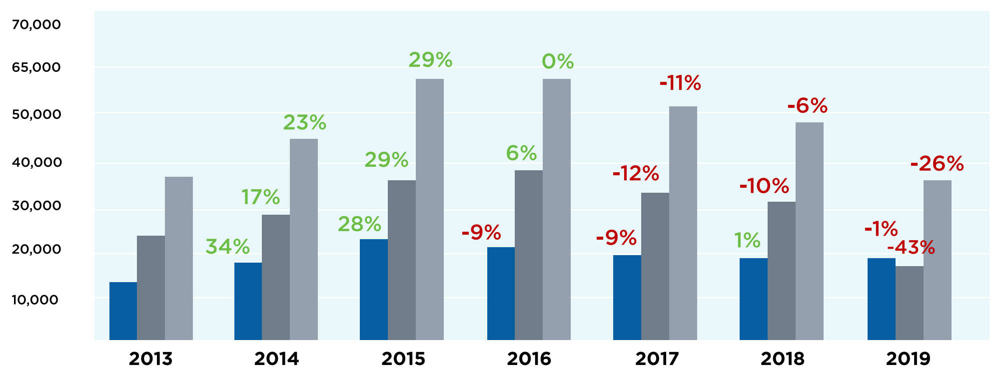
Ground handling revenue decreased by Tshs 12,573 million, or 43%, to Tshs 16,951 million compared to the Tshs 29,524 million realized in 2018.

Cargo revenue slightly decreased by Tshs 195 million, or 1%, to Tshs 18,495 million compared to Tshs 18,690 million realized in 2018.

Total operating revenue for the year shrunk by Tshs 12,768 million, or 26%, to Tshs 35,446 million when compared to Tshs 48,214 million realized in 2018. The decrease of the total revenue was attributed by the decrease in ground handling revenue.

The decrease in the ground handling revenue was attributed to the decrease in the number of flights handled and decreased yield per flight. Cargo revenue was slightly impacted by the decreased yield per ton.

Revenue Trends

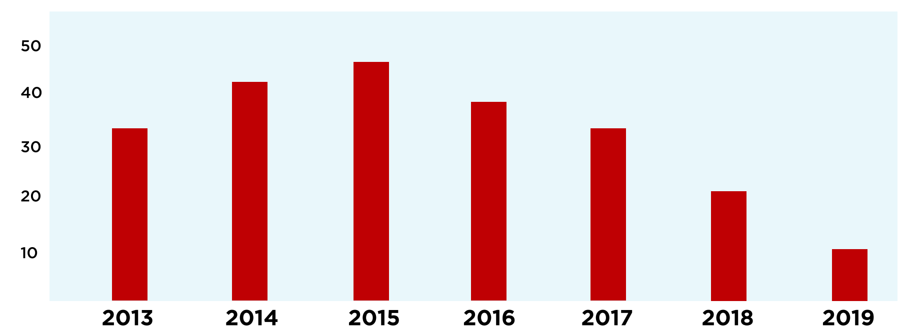


	2013	2014	2015	2016	2017	2018	2019
Cargo	12,946	17,318	22,195	20,277	18,436	18,690	18,495
Ground Handling	23,278	27,271	35,161	37,225	32,657	29,524	16,951
Total	36,224	44,589	57,356	57,502	51,093	48,214	35,446

Profitability

The total operating cost for the year was Tshs 32,321 million, which is Tshs 5,551 million, or 15%, lower when compared to Tshs 37,872 million spent in 2018. Consequently, the Company achieved an EBIT of Tshs 3,330 million, which is Tshs 7,686 million, or 70%, lower when compared to Tshs 11,016 million realized in 2018. The decrease in the reported EBIT was caused by a trickledown effect of a drop in revenue. A substantial chunk of the revenue was lost due to the reduction of the number of flights handled.

EBIT Margin Trends



	2013	2014	2015	2016	2017	2018	2019
EBIT Margin %	32	42	46	38	33	21	10

Investments
During the year the Company invested Tshs 2.4 billion mostly into the upgrade of cold room facility at JNIA, Ground Support Equipment (GSE) and vehicles (2018 – Tshs 5.5 billion).

The upgraded cold room facility provides more space, ensures the maintenance of the cold chain, allows for the separation of perishable products and enhances the handling of perishable consignments at JNIA.

These investments were made in compliance with the Company's investment plan to enhance safety performance and operational efficiency. At present, the average age of the Company's GSE fleet is 4 years. All investments were financed by internally generated cash.

Human Resources and Training of Staff
The financial and operational performance realized during the year has been attained through the commitment of our number one asset – our employees. As a team we worked tirelessly to better serve our airline customers and in return we achieved the objectives set in year 2019.

To respond to the declining of the business volume, we made a deliberate decision not to recruit new staff or to replace those who retired or resigned from the business and not to renew employment contracts of some of the staff. With this measure, we were able to reduce our headcount by 265 employees in 2019 and subsequently saved TShs 1.7 billion. Our decision was backed up by a thorough analysis of our operational needs based upon SLA's signed with airline customers. The exercise was led by our Planning Team and we are satisfied that this measure did not negatively impact our operational performance.

To enhance operational performance, we restructured the business and let a number of staff proceed on early retirement. As a consequence, we introduced new operational roles within the business and appointed new leaders to manage the roles. In accordance with this we phased out the role of the Ground Handling Manager and introduced a Station Manager. In August 2019, we appointed Mr. Shamba Mlanga as the Station Manager for JNIA station.

On 1st July 2019, we recruited Mr. Imani Mtafya, to fill in the position of the Chief Financial Officer.

The efforts to improve staff welfare through training, improved human resources policies, talent management, re-organization, promotion, review of remuneration packages and staff recognition continued to be made.

Our Training Centre has continued to play a vital role in ensuring our operational staff are well trained and certified in their specific area of operations. The efforts to certify our staff are also achieved through working hand in hand with our airline customers and industry regulators.

Training records are well maintained in the INTELEX system, which flags all non-compliances with business-critical and functional training. To better monitor the performance of the training unit, Swissport International Ltd. established a team of internal auditors who are responsible to audit country performance in relation to training. As a part of the audit the team conducted a training survey to establish training gaps. We were audited in 2018, results achieved were very good.

Safety at the Work Place

"Safety: Our Duty, Our Life" Safety has always been our first priority and our target is to reduce work related injuries to our staff, unsafe incidents at operations and aircraft damage events by 15% year on year. Our ultimate goal is to make Swissport safer and a better place to work. To

achieve the aforementioned objectives, SPI introduced in 2017 a Safety Roadmap to enhance safety culture within Swissport. Safety initiatives included in our safety roadmap were Near Miss reporting, Leaders' Wednesday, Safety and Health Improvement Program (SHIP) and Safety Days. We continued to implement all safety initiatives at JNIA, KIA and Songwe and consequently have seen positive improvement in the safety culture within the organization.

During the year, we recorded **NIL aircraft damage incidents** and we successfully renewed our OSHA Certification. Additionally, we were very pleased to have achieved certification in the IATA Safety Audit for Ground Operations, ISAGO, and RA3 status for European Union Aviation Security Validated Regulated Agents.

The number of reported safe and unsafe behaviours increased in line with our policy of empowering employees to report problems and faults without fear of blame; our **Just Culture**. The reported incidents help us to develop a safety risk matrix and associated action plans to address safety risks facing the Company.

To uphold a strong safety culture, staff are awarded for reporting high numbers of safety incidents and for demonstrating good safety behaviours.

We shall continue embracing safety at our operations until the safety culture becomes part of our DNA and we become an incident free organization. **"Safety: Our Duty, Our Life"**.

Accolades

During the year we received the following awards:

- The financial reporting award from the National Board of Accountants and Auditors (NBAA), 2018 best presented financial statements 1st winner in the category of service trading entities in recognition of our excellence in financial reporting among companies in Tanzania. We have won this award for the 7th year in a row. This demonstrates transparency and compliance in financial reporting.
- The Dar es Salaam Stock Exchange (DSE) member's award 2019, for being the 2nd winner in the best MIM Company of the year for the non-manufacturing sector.
- Occupational Safety and Health Authority, OSHA award for being the 1st winner for logistic and transport sector.

Competition

The ground handling market in Tanzania is fully liberalized, we are competing at Julius Nyerere and Kilimanjaro International Airports, where our competitor also operates.

Due to small size and limited growth of the ground handling market, a cut throat strategy was adopted which immediately reduced the revenue and profitability of the ground handling market. This also led to the decline of the amount of taxes and concession fees paid to the Government and the Airport Authorities respectively.

In the long run this is not sustainable for the ground handlers, for the Government and for the Airport Authority, and may lead to less investments into ground support equipment (GSE), warehouse facilities, staff welfare, staff training and recruitment. This will consequently affect the quality of services offered to airline customers as well as safety and security performance, which is contrary to the Government initiatives of improving quality of services delivered at our airports.

For the prosperity and sustainable future of the ground handling business we request the Government and the aviation authorities to ensure that the ground handling business is properly regulated and nurtured to promote growth.

We also advise the Government and the aviation authorities to carefully assess the impact of the ground handling market liberalization and take appropriate measures to address the challenges for the better future of the industry.

Future Outlook

Commercial contracts with our airline customers are valid and we will continue maintaining our relationship to the end of the contract duration. We are also confident to renew a few expired contracts which are currently under negotiation.

On 1st January 2020 we started providing ground handling services for Air Tanzania flights at JNIA and KIA. Air Tanzania is growing rapidly and shall contribute substantially to our business. This will accelerate growth of the ground handling business.

Export of perishable products (avocado, meat, fish, flowers, etc.) is increasing; this increase export volumes and the Company's earnings from export handling. Import volumes are constant and are not expected to increase in year 2020.

Business growth opportunities and chances to establish operations at other airports within the country are limited, we therefore do not envisage at this time to start a new business or establish new operations at additional sites. However, we are optimistic that there will be no further negative revenue impact, as a consequence of price reduction, recorded by the business, and we shall continue reviewing the Company's cost structure to sustain margins realized in 2019.

We completed the upgrade of our cold room facility at JNIA. We are therefore looking forward to better serving our export customers and supporting the export of perishable products in line with the Government's export promotion initiatives. We still have a plan to construct a general cargo facility and to upgrade the existing cold room at KIA, if we obtain the approval from KADCO. The existing warehouse facility at KIA is dilapidated and unsafe for use.

Further to the above we believe our strategies toward customer retention, enhancing the quality of services, enhancing operational efficiency, cost control, investments, staff training, safety,staff development and remunerations are yielding positive results. We shall, therefore, continue reassessing and fine tuning our strategies from time to time for the sustainability of the business.

It is worth to note that the outbreak of COVID-19 has negatively affected the Company's business plans and all the aforementioned facts need to be reviewed to reflect the financial impact of the pandemic. COVID-19 has significantly impacted the operations of our airline customers and in return crippled our business. The Company's financial performance for 2020 will largely depend upon the time taken to fully control COVID-19 and see the resumption of the business.

Appreciation

I would like to thank our esteemed customers for showing confidence in us and for their continued engagement with us. I would also like to thank the Board of Directors and all of our stakeholders for their support during the year 2019. A special thanks to the staff and the management colleagues for their commitment and hard work during the year.

I bank on your continued support going forward.

Thank you.

Mrisho Yassin
Chief Executive Officer

RIPOTI YA AFISA MTENDAJI MKUU WA KAMPUNI YA MWAKA 2019

Kampuni imeendelea kushuhudia kushuka kwa utendaji kifedha hali inayosababishwa na kuanzishwa kwa ushindani katika biashara ya kuhudumia ndege nchini Tanzania. Taarifa ya kifedha inayoripotiwa ya mwaka 2019 kwa kiasi kikubwa ilichangiwa na kushuka kwa biashara na madhara endelevu ya punguzo la bei lililotolewa kwa wateja mwaka 2018.

Mteja wetu mkubwa,Shirika la ndege la Fastjet Tanzania lilisimamisha shughuli zake nchini Tanzania kuelekea mwishoni mwa mwaka 2018. Jambo hili liliathiri kwa kiasi kikubwa idadi ya ndege tulizozihudumia mwaka 2019. Kwa kuzingatia ukweli kwamba Fastjet peke yake ilifanya miruko 3,293 ya ndege kwa mwaka 2018 wakati kampuni ilihudumia miruko 8,421 ya ndege kwa mwaka 2019 ikiwa ni pungufu ya miruko 5,630 ya ndege kutoka mwaka 2018. Mbali na upungufu wa biashara uliosababishwa na mashirika ya ndege ya Fastjet na Etihad kusitisha shughuli zao za kibiashara nchini Tanzania, pia tulipoteza biashara kutoka mashirika ya ndege ya Rwandair na KLM (Upande wa huduma za ndege) ambao walichagua kupata huduma kutoka kwa washindani wetu. Jambo hili pia lilichangia kupungua kwa biashara yetu kwa mwaka 2019.

Punguzo la bei za huduma zetu lililotolewa kwa wateja ili kukabiliana na changamoto ya ushindani wa bei pia lilichangia kuathiri utendaji wa kifedha wa kampuni kwa mwaka 2019. Hatua hii ilipunguza mapato ya kampuni kwa asilimia 6 ukilinganisha na mwaka 2018.

Kutokana na sababu zilizotajwa awali, mapato ya kampuni kwa mwaka 2019 yalipungua kwa asilimia 26 ikilinganishwa na mwaka 2018, wakati gharama za uendeshaji zikipungua kwa asilimia 15. Tulikabiliana vyema na kushuka kwa mapato kwa kupunguza gharama za uendeshaji. Hata hivyo, gharama zilizookolewa hazikuweza kufidia mapato yote yaliyopotea.

Jitihada za kupunguza gharama zilizochukuliwa na menejimenti zilihusisha pamoja na jitihada nyingine, kurekebisha namna ya kuendesha biashara ili kuboresha ufanisi katika utendaji, kupunguza idadi ya wafanyakazi, na kubadilisha mfumo wa utoaji huduma ya usafiri kwa wafanyakazi na kuajiri kampuni binafsi kutoa huduma hii. Hatua hizi zilichangia kuisaidia kampuni kuendelea kuwa endelevu na kutengeneza faida.

Pamoja na kupoteza baadhi ya wateja kwa sababu ya ushindani wa kibiashara, tulifanikiwa kubaki na sehemu kubwa ya soko kwa biashara ya kuhudumia ndege na mizigo katika sekta ya anga. Mwaka 2019, kampuni iliendelea kutoa huduma kwa mashirika ya ndege ya Emirates, Swiss Air, Qatar Airways, Turkish Airlines, Oman Air, Air Zimbabwe, Kenya Airways, South African Airways, Ethiopian Airlines (katika uwanja wa JNIA), KLM (huduma za mizigo), Martin Air, CONDOR, AB Aviation, Air Mauritius, Malawian Airlines, EWA Air, Air Mozambique na Uganda Airlines. Tunawashukuru wateja wetu kwa kuendelea kufanya biashara na kampuni yetu.

Mwezi Julai 2019, tulisajili shirika la Uganda Ailines, kama mteja wetu mpya. Ni matumaini litaendelea kukua kibiashara na kuendelea kuchangia katika biashara yetu.

Disemba 2019 tulishinda zabuni ya kutoa huduma za aridhini kwa Shirika la ndege la Air Tanzania (ATCL), ambalo ni shirika la ndege laTaifa.Tunajivunia kuchaguliwa kuihudumia ATCL na tumedhamiria kutoa huduma bora kwao kama tunazowapatia wateja wengine na kukua pamoja nao kibiashara. Tulianza kutoa huduma kwa ATCL katika viwanja vya ndege vya kimataifa vya JNIA na KIA tarehe 1 Januari 2020.

Biashara ya kuhudumia ndege imeathiriwa kwa kiasi kikubwa na ushindani wa kibiashara wakati biashara ya kuhudumia mizigo imebaki imara na imeendelea kutoa mchango chanya wa kifedha kwa kampuni.

» Usalama: Wajibu Wetu: Maisha Yetu «

Ili kuboresha ubora wa huduma zetu tulihakikisha tunatimiza makubaliano ya ubora wa huduma (SLAs) tuliyokubaliana na wateja. Vilevile, tulibadilisha namna ya uendeshaji biashara ili kukidhi mahitaji ya wateja na ukubwa wa biashara. Ilipoonekana muhimu, tulibadilisha wafanyakazi ili kuweza kuongeza ufanisi.

Tuliendelea kutoa mafunzo ya lazima kwa wafanyakazi wote na mafunzo kazi kwa idara husika kwa kutumia mitaala yetu ya mafunzo. Vile vile tuliendele kutoa mafunzo ya uongozi kwa viongozi wa kada mbalimbali ili kuimarisha uongozi wa kampuni.

Utendaji wetu katika usalama uliendelea kuwa imara. Tulifanya kazi kwa umahiri na uangalifu na kufanikiwa kufunga mwaka bila tukio lolote la ajali ya ndege. Utamaduni wa kuzingatia usalama mahala pa kazi umeimarika, ambao unashuhudiwa na ongezeko la idadi ya taarifa za usalama mahala pa kazi zilizoripotiwa ndani ya mwaka 2019.

Tuliendelea kujikita kwenye mkakati wetu wa kujenga utamaduni wa kujali usalama kazini na kuifanya SWISSPORT kuwa sehemu salama ya kufanya kazi. Hatua kadhaa za kuboresha usalama kazini zilianzishwa mwaka 2019 ili kufikia malengo ya utendaji kiusalama yaliyoainishwa katika mkakati wetu wa usalama. Jitihada hizi zilipokelewa vizuri na wafanyakazi, mashirika ya ndege, mamlaka ya viwanja vya ndege na wadau wengine wa viwanja vya ndege. Matokeo yake tuliboresha ubora wa viwango vya huduma zetu na kusajili idadi ndogo yamatukio hatarishi ya usalama. Ili kuendelea kuboresha utendaji wa kampuni kiusalama, tutaendelea kutoa mafunzo, kudumisha utamaduni wetu wa kuzingatia usalama na kudumisha kauli mbiu yetu juu ya usalama, isemayo: ***"Usalama: Wajibu Wetu: Maisha Yetu"***

Uzalishaji

Mwaka 2019, tulihudumia jumla ya miruko ya ndege 8,421 kutoka miruko ya ndege 14,051 tuliyoihudumia mwaka 2018. Hii ni pungufu ya miruko ya ndege 5,630 sawa na asilimia 40 kutoka kwenye idadi ya miruko ya ndege tuliyoihudumia mwaka 2018. Kupungua kwa miruko ya ndege kulichangiwa na kusimama kwa shughuli za uendeshaji kwa mashirika ya ndege ya Fastjet na Etihad Airways nchini Tanzania, kupoteza biashara ya mashirika ya ndege ya Rwandair na KLM (upande wa huduma za abiria) na kupungua kwa idadi ya miruko ya ndege ya baadhi ya wateja. Tulipoteza miruko ya ndege 3,293 kutoka Fastjet pekee.

Uzito wa mizigo tuliyoihudumia mwaka 2019 uliongezeka kwa kiasi kidogo kulinganisha na mwaka 2018. Tulihudumia tani 18,779 za mizigo ukilinganisha na tani 18,551 zilizohudumiwa mwaka 2018 likiwa ni ongezeko la tani 228 au asilimia 1 ya uzito wa mizigo iliyohudumiwa mwaka 2018. Ongezeko la mizigo lilichangiwa na ongezeko la usafirishaji wa mizigo inayoharibika haraka nje ya nchi, hasa parachichi.

Biashara ya mizigo bado ipo imara ikilinganisha na biashara ya kuhudumia ndege ambayo imeathiriwa kwa kiasi kikubwa na mfumo wa soko huria wa biashara katika soko la kuhudumia ndege. Swissport Tanzania Plc. bado ni kampuni pekee ambayo imewekeza kikamilifu katika miundombinu ya kuhudumia mizigo hivyo inahudumia sehemu kubwa ya biashara ya mizigo.

Mwenendo wa mapato

Mapato yatokanayo na kuhudumia ndege yalipungua kwa shilingi 12,573 milioni sawa na asilimilia 43, kufikia shilingi 16,951 milioni ikilinganishwa na shilingi 29,524 milioni zilizopatikana mwaka 2018. Mapato yatokanayo na huduma za mizigo yalipungua kwa kiasi kidogo cha shilingi 195 milioni au asilimia 1 kufikia shilingi 18,495 milioni kulinganisha na shilingi 18,690 milioni zilizopatikana mwaka 2018.

Jumla ya mapato yatokanayo na shughuli za uendeshaji kwa mwaka 2019 yalipungua kwa shilingi 12,768 milioni sawa na asilimia 26 kufikia shilingi 35,446 milioni ikilinganishwa na shilingi 48,214 milioni zilizopatikana mwaka 2018. Kupungua kwa mapato haya kulichangiwa na kupungua kwa mapato yatokanayo kwa kuhudumia ndege. Kupungua kwa mapato ya kuhudumia ndege kulisababishwa na kupungua kwa miruko ya ndege na kupungua kwa pato la mruko wa kila ndege. Mapato yatokanayo na kuhudumia mizigo yaliathiriwa kwa kiasi kidogo kwa kupungua kwa pato kwa kila tani.

Faida

Jumla ya gharama za uendeshaji kwa mwaka 2019 zilikuwa shilingi 32,321 milioni, ambazo ni pungufu kwa shilingi 5,551 milioni au asilimia 15 ikilinganishwa na shilingi 37,872 milioni zilizotumika mwaka 2018. Hivyo, kampuni ilifanikiwa kupata mapato kabla ya riba na kodi ya shilingi 3,330 milioni ambayo ni pungufu kwa shilingi 7,686 milioni au asilimia 70 ikilinganishwa na shilingi 11,016 milioni zilizopatikana mwaka 2018. Kupungua kwa faida kabla ya riba na kodi kulisababishwa na kupungua kwa mapato ya kampuni.

Uwekezaji

Katika mwaka 2019 Kampuni iliwekeza shilingi 2.4 bilioni katika uboreshaji wa bohari za kuhifadhi mizigo inayoharibika haraka (perisables) na mizigo ya kawaida isafirishwayo nje ya nchi katika uwanja wa ndege wa kimataifa wa JNIA, vifaa vya kusaidia kuhudumia ndege (GSEs) na magari (2018 - shilingi 5.5 bilioni zilitumika).

Bohari la kuhifadhia mizigo inayoharibika haraka (perishables) limeboreshwa kwa kuongeza ukubwa, kuwezesha kusimamia mnyororo wa baridi, kuruhusu utenganishwaji wa bidhaa zinazoweza kuharibika haraka na kuboresha uwezo wa kampuni wa kuhudumia biadha zenye kuharibika haraka katika Uwanja Wa Ndege wa Kimataifa wa JNIA.

Uwekezaji huu ulifanywa kwa kufuata mpango wa uwekezaji wa kampuni ili kuboresha usalama na ufanisi. Kwa sasa, umri wa wastani wa vifaa vya kuhudumia ndege (GSEs) vya Kampuni ni miaka 4. Uwekezaji wote ulifanyika kutokana na pesa za ndani.

Rasilimali Watu na Mafunzo kwa Wafanyakazi

Matokeo ya kifedha na ya kiutendaji yaliyofikiwa katika mwaka 2019 yamepatikana kupitia rasilimali watu tuliyonayo. Tulifanya kazi kwa bidii kuwahudumia wateja wetu na hivyo kufikia malengo ya kampuni ya mwaka 2019.

Ili kuendana na kupungua kwa kiwango cha biashara, tulifanya uamuzi wa makusudi wa kutoajiri wafanyakazi wapya au kujaza nafasi za wale waliostaafu au waliojiuzulu kutoka kwenye kampuni na kutohuisha mikataba ya ajira ya baadhi ya wafanyakazi. Kupitia hatua hizi, tuliweza kupunguza idadi ya wafanyakazi 265 mnamo mwaka 2019 na kuokoa gharama kwa wastani wa shilingi 1.7 bilioni. Uamuzi wetu uliungwa mkono na uchambuzi wa kina wa mahitaji yetu ya utendaji kazi yaliyotokana na makubaliano ya huduma (SLAs) na wateja. Zoezi hili liliongozwa na timu yetu ya kusimamia mipango ya uendeshaji wa shughuli za operesheni na tumeridhia kwamba hatua hii haikuathiri utendaji wa Kampuni.

Ili kuongeza ufanisi katika utendaji, tulirekebisha muundo wa Kampuni na kuruhusu baadhi ya wafanyakazi kustaafu mapema. Matokeo yake, tulianzisha majukumu mapya ya utendaji ndani ya kampuni na kuteua viongozi wapya kusimamia majukumu hayo. Ili kuendana na mabadiliko haya, tuliondoa jukumu la Meneja Ushughulikiaji wa huduma za ndege na Kuanzisha nafasi ya Meneja wa Kituo. Mnamo Agosti 2019, tulimteua Bw. Shamba Mlanga kama Mneja wa Kituo kwa kituo cha JNIA.

Mnamo tarehe 1 Julai 2019, Bwana Imani Mtafya, aliajiriwa kujaza nafasi ya Afisa Mkuu wa Fedha.

Jitihada za kuboresha ustawi wa wafanyakazi kupitia mafunzo, uboreshaji wa sera za rasilimali watu, usimamizi wa vipaji, kuunda upya mifumo ya shirika, upandishwaji wa vyeo, mapitio ya mishahara na motisha kwa wafanyakazi viliendelea kufanyika.

Kituo chetu cha Mafunzo kimeendelea kutimiza jukumu muhimu katika kuhakikisha kuwa wafanyakazi wetu walio katika maeneo yao maalum ya kiutendaji wanapata mafunzo vizuri na kuthibitishwa. Jitihada zetu za kuthibitisha (kupata vyeti vya ithibati) kwa wafanyakazi pia zinafikiwa kwa kufanya kazi bega kwa bega na wateja wetu na wadhibiti wa sekta ya anga.

Rekodi za mafunzo ya wafanyakazi zinatunzwa vizuri katika mfumo wa INTELEX, ambao hutoa ishara pale vyeti vya ithibati vya wafanyakazi kwa mafunzo muhimu na yakiutendaji vinapoisha muda wake.

Katika kufuatilia utendaji wa kitengo cha mafunzo, Kampuni yetu mama ya Swissport International Ltd. (SPI) iliunda timu ya wakaguzi wa ndani ambao wana wajibika kukagua utendaji wa kitengo cha mafunzo. Tulikaguliwa mwaka 2018, matokeo yaliyopatikana yalikuwa mazuri sana.

Usalama Mahali Pa Kazi
"Usalama: Wajibu Wetu, Maisha Yetu" siku zote usalama umekuwa kipaumbele chetu cha kwanza na lengo la Kampuni ni kupunguza ajali zinazohusiana na kazi kwa wafanyakazi, matukio yasiyo salama kazini na matukio ya uharibifu wa ndege kwa asilimia 15 kila mwaka. Lengo letu kuu ni kuifanya Swissport iwe salama na mahali salama pa kufanya kazi. Ili kufikia malengo yaliyotajwa hapo awali, SPI ilianzisha mpango mkakati wa usalama ili kuboresha utamaduni wa usalama ndani ya Swissport mnamo mwaka 2017. Jitihada za kuboresha usalama zilizojumuishwa katika mpango mkakati wa usalama ni kuripoti matukio yaliyokaribia kutokea, Jumatano ya Viongozi, Programu ya Uboreshaji wa Usalama na Afya (SHIP) na Siku ya Usalama. Tulitekeleza mipango yote ya usalama katika vituo vya Dar es Salaam, Kilimanjaro na Songwe na matokeo yake tulipata maendeleo chanya katika utamaduni wa usalama ndani ya shirika.

Mwaka 2019, **hakukua na tukio lolote la uharibifu wa ndege** na tulifanikiwa kuhuisha upya **cheti chetu cha OSHA**. Kwa kuongezea, tuliridhishwa sana kuuhisha cheti cha IATA cha ukaguzi wa Usalama wa Shughuli za Kuhudumia Ndege (ISAGO) na kupata kwa mara ya kwanza cheti cha RA3 toka kwa Wakala wa Udhibiti wa Usalama wa mizigo inayosafirishwa na ndege kwenda kwenye nchi za Jumuiya ya Ulaya.

Idadi ya matukio yaliyoripotiwa ya mienendo salama na isiyo salama iliongezeka kulingana na sera yetu ya kuwawezesha wafanyakazi kuripoti mafanikio, changamoto na hitilafu za kiusalama bila hofu ya kulaumiwa. Matukio yanayoripotiwa yanatusaidia kujua na kuainisha athari za usalama katika kazi zetu na kutengeneza mikakati ya kushughulikia hatari hizo.

Ili kudumisha utamaduni thabiti wa usalama, wafanyakazi wanazawadiwa kwa kuripoti idadi kubwa ya matukio ya usalama na kwa kuonyesha tabia nzuri za kiusalama.

Tunaendelea kukumbatia usalama katika operesheni zetu hadi hapo utamaduni wa usalama utakapokuwa sehemu ya maisha yetu na kuwa shirika lisolokuwa na ajali. ***"Usalama: Wajibu Wetu, Maisha Yetu".***

Tuzo

Katika mwaka 2019 tulipokea tuzo zifuatazo:

- Tuzo ya uwasilishaji wa taarifa bora ya kifedha kutoka Bodi ya Taifa ya Wahasibu na Wakaguzi wa Hesabu (NBAA), Ripoti bora ya fedha iliyowasilishwa mwaka 2018, mshindi wa kwanza kwenye eneo la sekta ya huduma kwa kutambua ubora wetu katika utoaji wa taarifa ya kifedha kati ya makampuni ya Tanzania. Tumeshinda tuzo hii kwa miaka 7 mfululizo. Hii inaonyesha uwazi na uzingatiaji wa kanuni za kimahesabu katika kuripoti taarifa za kifedha.
- Tuzo ya washiriki wa Soko la Hisa la Dar es Salaam (DSE) 2019, kwa kuwa mshindi wa pili katika Kampuni bora ya MIM ya mwaka kwa sekta isiyo ya uzalishaji.
- Tuzo ya Mamlaka ya Afya na Usalama Mahali pa Kazi (OSHA), kwa kuwa mshindi wa kwanza kwa sekta ya usafirishaji.

Ushindani

Soko la kuhudumia ndege kwenye viwanja vya ndege nchini Tanzania ni huria, tunashindana katika Viwanja vya Ndege vya Kimataifa vya Julius Nyerere (JNIA) na Kilimanjaro (KIA).

Kwa sababu ya ukuaji mdogo wa soko la huduma za aridhini kwa mashirika ya ndege, kumekua na ushindani mkubwa katika bei za huduma zetu na hii imepelekea kushuka kwa bei za huduma hali iliyosababisha kushuka kwa mapato na faida hivyo kupelekea kupungua kwa kiasi cha kodi na ada ya kupata ridhaa ya kutoa huduma katika kiwanja cha ndege zinazolipwa kwa Serikali na Mamlaka za Viwanja vya Ndege kwa mfuatano.

Kama ilivyoainishwa hapo juu, hali hii haina tija kwa watoa huduma za aridhini kwa mashirika ya ndege, kwa Serikali na kwa Mamlaka ya Viwanja vya Ndege. Hali hii pia inaweza kusababisha uwekezaji usio ridhisha katika vifaa vya kutolea huduma za aridhini (GSEs), ghala za mizigo, ustawi wa wafanyakazi, mafunzo kwa wafanyakazi na kuathiri uwezo wa kuajiri wa makampuni husika. Matokeo yake hali hii itaathiri ubora wa huduma inayotolewa kwa wateja vile vile inaweza kuathiri hali ya ulinzi na usalama katika viwanja vya ndege kitu ambacho ni kinyume na hatua zinazochukuliwa na Serikali za kuboresha ubora wa huduma zinazotolewa kwenye viwanja vya ndege.

Kwa ustawi na maendeleo endelevu ya biashara ya kutoa huduma za aridhini kwenye viwanja vya ndege tunaiomba Serikali na mamlaka ya anga kuhakikisha kuwa biashara ya kuhudumia ndege viwanjani inasimamiwa ipasavyo na kuwekewa mazingira mazuri ili kuhamasisha ukuaji wake.

Pia tunaishauri Serikali na Mamlaka ya Anga kutathmini kwa umakini athari za kuwepo kwa soko huria na kuchukua hatua stahiki kushughulikia changamoto zilizopo kwa mustakabali bora wa sekta ya huduma za aridhini.

Mtazamo wa Mbele

Mikataba ya kibiashara na wateja wetu ipo hai na tutaendelea kudumisha uhusiano wetu na wateja hadi mwisho wa muda wa mikataba husika. Tunahakika pia ya kuhuisha muda wa mikataba michache ambayo imekwisha muda wake ambayo kwa sasa iko kwenye majadiliano.

Mnamo Januari 1, 2020 tulianza kutoa huduma za aridhini kwa shirika la ndege la Air Tanzania kwenye viwanja vya JNIA na KIA. Air Tanzania inakua kwa haraka hivyo tunaamini itakua na mchango mkubwa kwenye biashara yetu.

Usafirishaji wa bidhaa zinazoweza kuharibika haraka (nyama, samaki, maua, parachichi, n.k) unaongezeka; hii inatarajiwa kuongeza mapato ya kampuni yatokanayo kwa kuhudumia mizigo inayokwenda nje ya nchi. Kiasi cha mizigo inayoingia nchini hakitegemewi kuongezeka kwa mwaka 2020.

Fursa za ukuaji wa biashara na nafasi za kuanzisha shughuli katika viwanja vya ndege vingine ndani ya nchi ni finyu, kwa hiyo hatutarajii kuanzisha biashara mpya au shughuli mpya katika maeneo mapya kwa mwaka 2020. Lakini, tuna matarajio makubwa kwamba hakutakuwa na athari hasi zaidi katika mapato ya Kampuni itakayosababishwa na punguzo la bei kwa huduma zetu.Tutaendelea kupitia muundo wa gharama wa Kampuni ili kuendeleza kiwango cha faida kilichopatikana mwaka 2019.

Tumemaliza uboreshaji wa ghala la kuhifadhia mizigo ya kwenda nje ya nchi inayoharibika haraka na mizigo ya kawaida kwenye uwanja wa JNIA. Hivyo tunatarajia kutoa huduma bora zaidi kwa wateja wanaosafirisha bidhaa nje ya nchi na kusaidia usafirishaji wa bidhaa zinazoweza kuharibika haraka sambamba na mipango ya Serikali ya kukuza mauzo ya bidhaa hizi nje ya nchi. Bado tunao mpango wa kujenga ghala la kuhifadhi mizigo ya kawaida na kuboresha ghala la kuhifadhia mizigo inayoharibika haraka kwenye uwanja wa KIA, ikiwa tutapata idhini kutoka KADCO. Ghala la mizigo ya kawaida lililopo KIA limechakaa na sio salama kwa matumizi.

Zaidi ya mipango iliyoainishwa hapo juu, tunaamini mikakati yetu ya kubakisha wateja, kuongeza ubora wa huduma, kuongeza ufanisi wa kiutendaji, udhibiti wa gharama, uwekezaji, kutoa mafunzo kwa wafanyakazi, usalama, maendeleo ya wafanyakazi na malipo vinaleta matokeo mazuri. Kwa hiyo, tutaendelea kutathimini upya na kuweka mikakati yetu vizuri mara kwa mara ili kuwa na biashara endelevu.

Ni muhimu kuzingatia kwamba kuzuka kwa ugonjwa wa COVID-19 kumeathiri vibaya mipango ya kibiashara ya Kampuni na taarifa zote zilizotajwa hapo awali zinahitaji kurejewa ili kuonyesha athari za kifedha zilizotokana na janga hili. COVID-19 imeathiri vibaya utendaji wa wateja wetu na hivyo kudumaza biashra yetu. Matokeo ya kibiashara ya mwaka 2020 yatategemea sana muda utakaotumika kudhibiti kabisa ugonjwa wa COVID-19 na shughuli za kiuchumi kurejea katika hali ya kawaida.

Shukrani

Napenda kuwashukuru wateja wetu kwa kutuamini na kuendelea kushirikiana na Kampuni yetu kibiashara. Pia napenda kuishukuru Bodi ya Wakurugenzi kwa usimamizi mzuri wa Kampuni na wadau wetu wote, kwa kutuunga mkono katika mwaka 2019. Shukrani za pekee sana ziwaendee wafanyakazi na viongozi wenzangu kwa kujitoa kwao na kufanya kazi kwa bidii ndani ya mwaka 2019.

Nategemea kuendelea kupata ushirikiano wenu katika siku zijazo.

Asante Sana!

Mrisho Yassin
Afisa Mtendaji Mkuu

swissport

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors submit their report together with the audited financial statements for the year ended 31 December 2019, which disclose the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow and notes to the financial statements of Swissport Tanzania Plc (the "Company").

1 DIRECTORS

The directors of the Company at the date of this report, who served since 1 January 2019, except where otherwise stated, are:

Mr. Jeroen de Clercq
Chairman

Dutch
June, 2006
Representing SPI *

Mr. Mark Skinner
Chairman

British
June, 2016,
(Resigned March 2020)
Representing SPI *

Mr. Luzius Wirth
Director

Swiss
March, 2020
Representing SPI *

Mr. Eric Muriithi
Director

Kenyan
March, 2020
Representing SPI *

Mr. Rene Sutter
Director

Swiss
June, 2017
(Resigned March 2020)
Representing SPI *

Mrs. Sujata Jaffer
Director

Tanzanian
April, 2016,
(Resigned April 2019)
Representing local shareholders

Mr. Raymond P Mbilinyi
Director

Tanzanian
April, 2016
Representing local shareholders

Dr. Charles S. Kimei
Director

Tanzanian
April, 2019
Representing local shareholders

* SPI: Swissport International Ltd.

1 DIRECTORS (CONTINUED)

In accordance with the Company's Articles of Association, the directors are not required to retire by rotation.

All the directors are non-executive directors, 3 directors are representing Swissport International Ltd (SPI) and are senior executives at SPI and 2 directors are representing local shareholders.

Directors' interest in the shares of the Company
Directors representing local shareholders has interest in issued and fully paid up shares of the Company as shown below:

Name	Shares 2019	Shares 2018
Mr. Raymond P Mbilinyi	**140**	140
Dr. Charles S Kimei	**455**	455

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

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

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

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

The Company Secretary as at the date of this report who has served throughout the period was KW Kapinga and Partners.

Fees for the directors representing SPI are paid directly to SPI and not to the individual directors.

2 COMPANY SHAREHOLDINGS

As at 31 December 2019 the Company had 10,480 shareholders (31 December 2018 –10,812 shareholders). The Pension Funds owns 9% of the Company's share. Ten major shareholders of the Company are listed below:

	Name	Nationality	%
1	Swissport International Ltd.	Swiss	51
2	SCB(T) RE:SSB: Chage Global Frontier Markets, LP Fund	Tanzanian	6
3	National Social Security Fund	Tanzanian	5
4	PSSSF	Tanzanian	3
5	SBSA ACC Barca Global Master Fund LP	Tanzanian	3

2 COMPANY SHAREHOLDINGS (CONTINUED)

	Name	Nationality	%
6	SCB (T) Nominee Ltd Standard Chartered Bank	Tanzanian	2
7	SCB Mauritius A/C SANLAM Centre Sub Saharan Africa Equity	Tanzanian	2
8	Sayeed H. Kadri &/or Basharati Kadri	Tanzanian	1
9	Umoja Unit Trust Scheme	Tanzanian	1
10	G.A.K. Patel & Co. Limited	Tanzanian	1

As at 31 December 2018 the Company had 10,812 shareholders (31 December 2017 – 10,901 shareholders). The Pension Funds owned 9% of the Company's share. Ten major shareholders of the Company are listed below:

	Name	Nationality	%
1	Swissport International Ltd.	Swiss	51
2	SCB(T) RE:SSB: Chage Global Frontier Markets, LP Fund	Tanzanian	6
3	National Social Security Fund	Tanzanian	5
4	Parastatal Pensions Fund	Tanzanian	3
5	SBSA ACC Barca Global Master Fund LP	Tanzanian	3
6	SCB (T) Nominee Ltd Standard Chartered Bank	Tanzanian	2
7	SCB Mauritius A/C SANLAM Centre Sub Saharan Africa Equity	Tanzanian	2
8	Sayeed H. Kadri &/or Basharati Kadri	Tanzanian	1
9	Umoja Unit Trust Scheme	Tanzanian	1
10	G.A.K. Patel & Co. Limited	Tanzanian	1

3 ACCOUNTING PERIOD

The Company's accounting circle is January to December. The financial information presented in these financial statements are for the year ended 31 December 2019 together with the comparative information for the year ended 31 December 2018.

4 ACTIVITIES

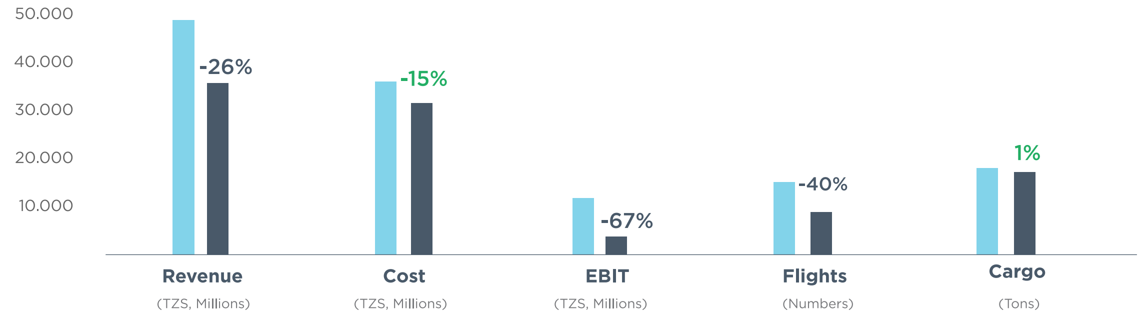
The Company's principal activities are the provision of airport ground handling and cargo handling services. During the year, the Company operated at Julius Nyerere, Kilimanjaro, Songwe and Mtwara Airports. The execution of the existing expansion plans may lead to the application of concession to operate at any other airport in the United Republic of Tanzania.

5 OPERATING AND FINANCIAL REVIEW

2019 was a challenging year for the Company due to continued evolving and challenging business environment resulting from competition, cessation of operations by some of our airline customers and reduced flights by a few of our airline customers. Despite of the challenges faced the Company, efforts were intensified to protect the market share and save operating costs in order to preserve profit margins.
Revenue for the year decreased by 26% from the revenue realized in year 2018. This was caused

5 OPERATING AND FINANCIAL REVIEW (CONTINUED)

OPERATIONAL AND FINANCIAL OVERVIEW



	Revenue (TZS, Millions)	Cost (TZS, Millions)	EBIT (TZS, Millions)	Flights (Numbers)	Cargo (Tons)
2018	48.214	37.872	10.765	14.051	18.551
2019	35.446	32.139	3.516	8.421	18.779

by a decrease in the number of flights handled during the year and discount offered to the airline customers. The decrease in the number of flights handled was attributed by the cessation of operations by Fastjet and Etihad Airways, loss of some of our airline customers to the competition and the reduced flights by some of our airline customers. Cargo revenue remained almost constant when compared to year 2018.

Ground handling services
Ground handling revenue decreased by 43% when compared to year 2018. This was a result of the decrease in the number of flights handled and discounts offered to airline customers. The cessation of operations by Fastjet and Etihad Airways significantly impacted our ground handling operations. In 2018, Fastjet contributed 16% of the ground handling revenue of the Company. Moreover, the loss of business volume led to the decrease of the ground handling revenue by 21% when compared to year 2018.

Discounts offered to the airline customers reduced ground handling revenue by 6% when compared to year 2018.

During the year the Company handled to 8,421 flights (2018 – 14,051 flights).

Revenue realized from ground handling services of TShs 16,951 million was 20% lower when compared to the budgeted revenue of TShs 21,156 million. Actual performance was below the budget due to loss of customers to the competition, further unexpected discounts offered to customers, unrealised opportunity of the business lounge and reduced flights by some of airline customers.

Cargo handling services
Revenue from cargo services decreased by 1%, when compared to year 2018. The decrease was attributed to discounts offered to airline customers for airside revenue. However, the loss of revenue from airside charges was partly offset by increase in storage revenue.

The volume of cargo handled during the year increased from 18,551 tons handled in 2018 to 18,779 tons handled in 2019. The increase was mainly caused by increase in export of perishable goods.

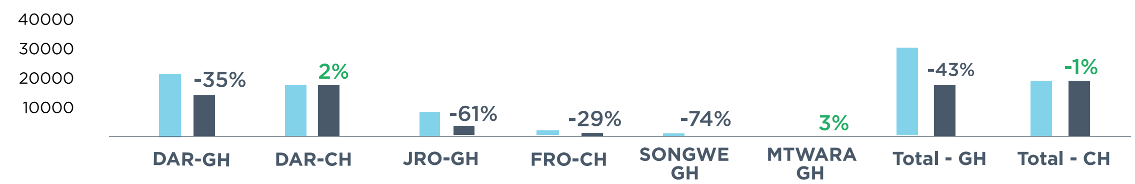
Revenue realized from cargo handling services of TShs 18,495 million was 24% above budgeted revenue of TShs 14,946 million. Actual performance was above budget due to increase in storage revenue.

5 OPERATING AND FINANCIAL REVIEW (CONTINUED)

The Company's JNIA and KIA operations remained to be the main contributors to the Company's revenue while Songwe and Mtwara operations contributed less. Songwe contribution to the business decreased further during the year due to cessation of Fastjet operations to Songwe.

Revenue realised from ground handling (GH) and cargo handling services (CH) operations at Julius Nyerere International Airport (DAR), Kilimanjaro International Airport (JRO), Songwe International Airport (MBI) and Mtwara (MYW) are as follows:

REVENUE BY BUSINESS LINE



	DAR-GH	DAR-CH	JRO-GH	FRO-CH	SONGWE GH	MTWARA GH	Total - GH	Total - CH
2018	20.887	16.964	7.830	1.726	740	67	29.524	18.690
2019	13.645	17.261	3.045	1.234	192	69	16.951	18.495

Profitability

During the year, the Company achieved earnings before tax (EBT) of TShs 3,307 million, which was TShs 7,458 million or 69% lower when compared to TShs 10,765 million realized in 2018. The drop in EBT margin was caused by a trickledown effect of a drop in revenue and the increased inter-company charges from the parent Company. Cost saving measures implemented by the management did not offset in full the effect of reduced revenue.

Cash flow

The Company generated enough cash flow from its operations to maintain a positive free cash flow position. During the year the Company generated TShs 6,169 million from its operating activities (2018 – TShs 11,260 million). The decrease in the cash flow from operations was mainly driven by the decrease in the profit before tax and settlement of the retirement obligations for the retired employees. In 2019, the Company used significant amount of cash to pay retirement packages to employees who retired from the Company.

Investments

During the year, the Company invested TShs 2,416 million. The money was spent to upgrade cold room facility at JNIA and to purchase few Ground Support Equipment (GSE), vehicles and computers (2018 – TShs 5,458 million).

The upgrade of the cold room facility at JNIA will transform handling of perishable goods at JNIA and will guarantee temperature maintenance throughout the handling of perishables at our facility. Temperature maintenance is one of the key success factors during the handling of perishables. The upgrade of the facility will also improve safety operations during the handling of perishables. The facility is now operational and will be launched in September 2020.

We failed to secure KADCO's approval for the constructions of the general cargo warehouse and improvement of the cold room facility. Hence our plan to invest into warehouse facilities at KIA did not materialise. We shall continue pushing the plan in 2020.

The Company will continue investing in GSE, People, Safety, Training and ICT in order to enhance the quality of services with the view of serving our customers better.

5 OPERATING AND FINANCIAL REVIEW (CONTINUED)

Airline performance and retention

With the exception of Fastjet Airlines Tanzania Ltd and Etihad Airways who ceased operations in Tanzania and the loss of KLM and Rwandair to the competition, most of the Company's airline customers performed to the expected level and the Company managed to retain a significant number of airline customers.

The Company's operational performance was firmly measured by our customers by using set of agreed Key Performance Indicators (KPIs), which to a great extent were achieved.

Overall Performance

The financial performance of the Company was significantly affected by the cessation of operations by Fastjet and the discounts offered to the airline customers to cope with the market pressure. As a result, the Company's revenue and profit decreased significantly when compared to year 2018. To respond to the plunge in revenue and profit, the management implemented various cost cutting measures, retrenched staff and restructured business to improve operational efficiency.

Measures taken by the management paid off as a result a significant number of airline customers was retained, significant costs were saved and operational efficiency was improved to the satisfaction of airline customers. Consequently, the business remained profitable and sustainable.

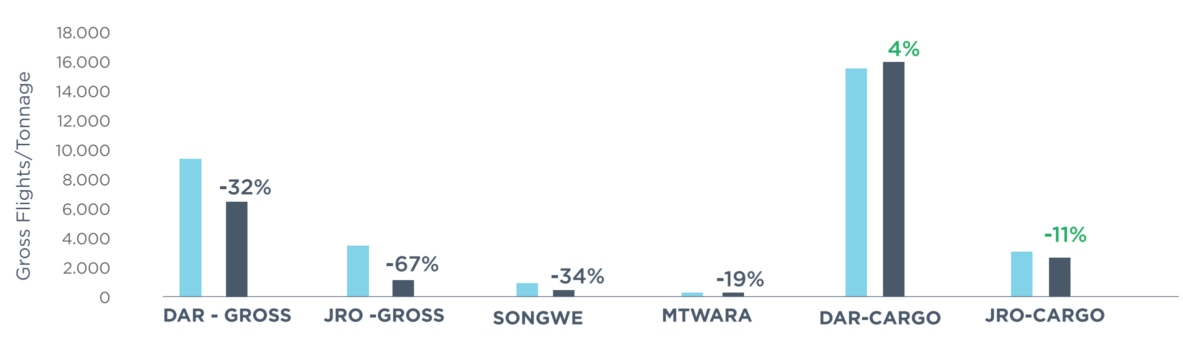
The Company achieved other objectives in respect of quality, health, safety, security and environment (QHSSE) performance, training, compliance, investments and staff development. These achievements help the Company to enhance the quality of services offered to airline customers and its relationship with the customers.

The Company also faced various operational and commercial challenges. Long and short-term strategies such as meeting and discussing commercial and operational issues with customers, business re-organization, and training of staff and acquisition of operating equipment were implemented to address the challenges faced by the Company. The challenges were fully addressed and had no significant impact on the Company's financial performance and its cash flows.

The main source of funding for the business is cash from operations, however, where there is a need for additional funding, bank loans, head office loans and any other sources approved by the Board will be used to fund the additional requirements.

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

STATISTICS BY STATION



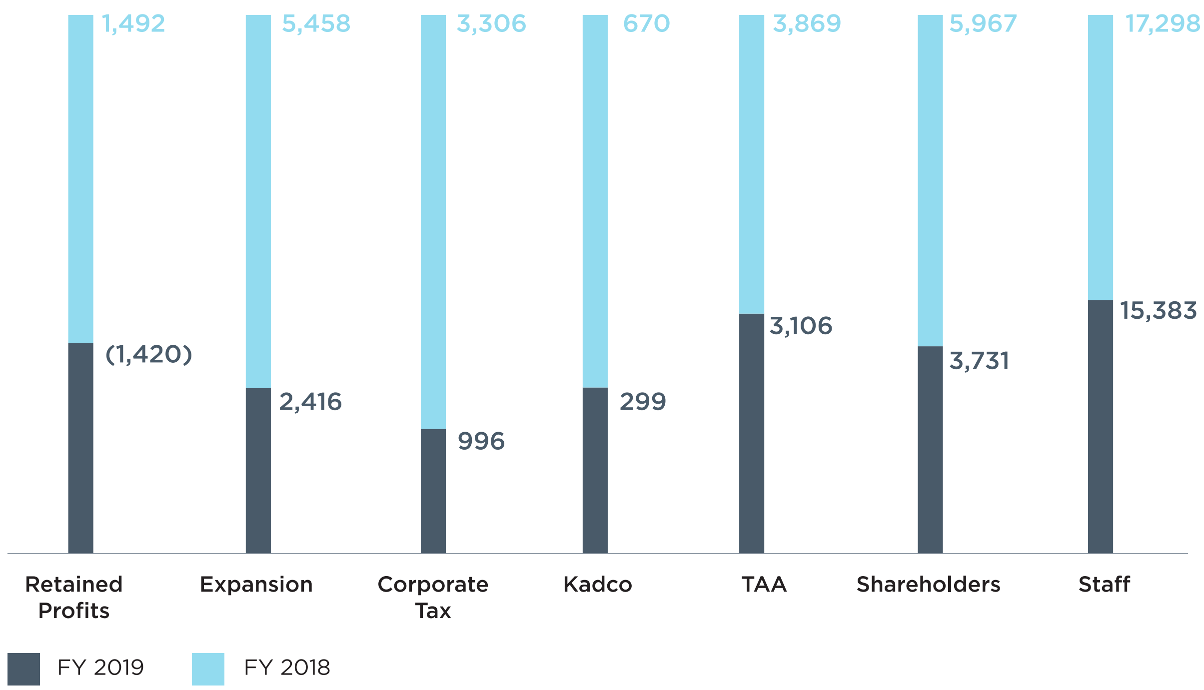
	DAR - GROSS Flights	JRO -GROSS Flights	SONGWE Gross Flights	MTWARA Gross Flights	DAR-CARGO Tonnage	JRO-CARGO Tonnage
2018	9,413	3,442	842	354	15,421	3,130
2019	6,447	1,127	559	288	15,982	2.797

6 VALUE ADDED STATEMENT

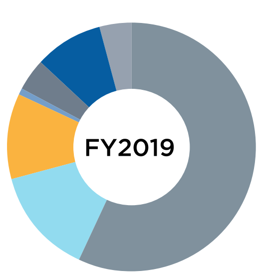
The value generated by the Company is distributed as follows:

Million Tanzania Shillings	2019	2018
Revenue (including other operating income)	35,814	48,637
Purchase of materials (fuel, maintenance, rent and others purchases)	(8,906)	(10,541)
Value Added	26,908	38,096

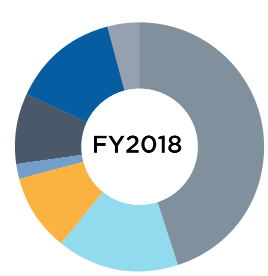
VALUE ADDED STATEMENT



VALUE ADDED DISTRIBUTION - AMOUNT IN TSHS M



Staff	15,383	57%
Shareholders	3,731	14%
TAA	3,106	11%
KADCO	299	1%
Corporation Tax	996	4%
Expension	2,416	9%
Retained profits	(1,420)	-4%



Staff	17,298	45%
Shareholders	5,967	16%
TAA	3,869	10%
KADCO	670	2%
Corporation Tax	3,306	9%
Expension	5,458	14%
Retained profits	1,492	4%

7 FUTURE DEVELOPMENTS

Short and long-term plans are prepared to provide future direction, financial plans as well as investment plans of the Company. The directors does review and approve the plans.

The directors are cognizant of the factors which are currently impacting the aviation industry in Tanzania and its related financial impacts are fully recognized into the Company's projections.

Some of the challenges facing the ground handling business in Tanzania are small size of the market (few airlines are operating in the country), market being dominated by few big players, the ongoing liberalization of the ground handling business and limited business expansion opportunities.

To minimize the impact of the revenue loss, the directors always insist on process restructuring and strict cost cutting measures with the intention of reducing operating costs. Pursuing new business opportunities is a step taken to improve the top line of the business.

The directors support steps taken by the Government of Tanzania to promote the development of the aviation and tourism sectors in the country and have formulated plans to pursue new opportunities arising from the Government's initiatives and where appropriate make the necessary investments to complement efforts taken the by Government.

The Company's 5 years business plan projects stable performance going forward.

8 COMPETITION

The ground handling business at Julius Nyerere International Airport (JNIA) and Kilimanjaro International Airport (KIA) are fully liberalised. Apart from Swissport Tanzania Plc, there is a competitor providing both ground handling and cargo handling services at JNIA and KIA and another competitor offering exclusively cargo handling services at JNIA.

During the year the Company lost the concessions to operate at Songwe and Mtwara airports to the competition. Consequently, Swissport closed Songwe and Mtwara stations in December 2019. No material loss of revenue and/or profit is expected by closing the stations.

As per the Tanzania Civil Aviation Authority (TCAA) Board decision of 2016, three ground and cargo handlers are allowed to operate at JNIA and 2 operators are allowed to operate at KIA. Presently, two ground handlers are operating at JNIA and KIA. TAA is in the process of recruiting a third handler for JNIA.

The directors are confident that negative impact of competition that the Company have experienced since the introduction of the competition at JNIA and KIA have been absorbed by the business and no further impact of the competition other than loss of airline customers is envisaged.

The directors have formulated several plans and strategies that will provide consistent performance in a competitive environment. Customer retention through offering enhanced quality services, pursuing new revenue opportunities and cost reduction are key steps taken by the Company to sustain the financial performance.

9 PRINCIPLE RISK AND UNCERTAINTIES

The Company's financial performance depends largely on the airlines volumes. We therefore have no full control of the business. This is considered the high risk for the Company. In view of this, our top line is influenced by the airline performance while we have control of costs. It is due to this that we consistently implement cost control initiatives which in return sustain the financial performance of the Company. As the business evolves, the Company is constantly working on proactive cost saving and revenue increase initiatives.

The significant uncertainties to our business are the loss of airline customers and/or variation in production volumes (flights and tonnage). The reduction of either number of flights or volume of cargo negatively impacts the financial performance of the Company. However, we always react to a change by reviewing cost structure and by implementing strong cost cutting measures to reduce the possible financial impact of the loss of the business volumes.

10 RESULTS AND DIVIDENDS

The Company achieved a net profit for the year of TShs 2,311 million (2018 – TShs 7,459 million). The directors resolved not to declare and pay dividend in 2019 (2018 – dividend of TShs 3,731 million equal to TShs 103.61 per issued and fully paid in share was declared). The decision was reached to allow the Company to build up enough cash to be able to finance its strategic objectives.

No interim dividend was approved in 2019 and 2018.

11 SOLVENCY

The Company's state of affairs at 31 December 2019 is set out on page 48 of the financial statements. The cash flow forecast shows that the Company will be able to meet both its short term and long-term liabilities as they fall due.

12 LIQUIDITY

The Company has reasonably strong liquidity position. Financial obligations of the Company are mainly met by the use of internally generated cash flows and supported by a bank loan acquired in January 2017 which was fully repaid by March 2019. The Company has not acquired additional loan from either the financial institutions or the holding Company.

The authorized share capital of the Company is TShs 500 million divided into 50 million ordinary shares of TShs 10 each. The issued and paid up share capital of the Company is TShs 360 million divided into 36 million ordinary shares of TShs 10 each. 35% of the Company's share capital is owned by local shareholders. Presently, Swissport International Ltd. owns 51% of the Company's share capital and different companies and individuals through the Dar es Salaam Stock Exchange (DSE) own the remaining 49% of the share capital.

13 USES OF FUNDS AVAILABLE

Cash and cash equivalents held by the Company are used to settle maturing obligations and approved dividends, settling investment commitments and where necessary excess cash is invested into fixed deposit or call account. Cash available is restricted from the use by the Company.

14 STOCK EXCHANGE INFORMATION

Shares of the Company are listed at the DSE and 49% of the Company's issued shares are actively traded as free float. In the year 2019, the performance of the Company's shares in the secondary market was as follows: Market capitalization as at 31 December 2019 was TShs 57,600 million (2018 – TShs 95,760 million), total turnover of Company's shares at DSE was TShs 86 million (2018 – TShs 2,475 million), average price of Company shares was TShs 1,814 (2018 – TShs 3,080) and the closing share price as at 31 December 2019 was TShs 1,600 per share (2018 – TShs 2,660). IPO price in 2003 was TShs 225 per share.

15 DISABLED PERSONS

It is the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. The Company also maintains its policy of continued employment of employees who become disabled while in service. At 31 December 2019, the Company had 4 disabled employees (2018 – 3 disabled employees).

16 TRAINING

The aviation industry is highly regulated and offers varying degrees of complexity associated with the vast array of tasks involved in ground handling operations. Personnel in the aviation industry must consistently remain compliant with the regulatory framework that governs the industry (ICAO, IATA and TCAA) as well as meeting airline specific protocols. Swissport Tanzania Plc. has its own approved training unit, which is tasked with ensuring that all staff members are thoroughly trained to meet the regulatory standard and to deliver function specific tasks.

The Swissport Tanzania Training Centre is approved by the International Air Transport Association (IATA ATC) and is a member of the Approved Training Organisation (ATO). It provides training to Swissport staff and has a broad syllabus of training that is offered to airline partners and to members of the general public. IATA approved training courses, along with numerous aviation related courses, were offered throughout 2019.

During the year, the Company spent TShs 173 million in external training (2018 – TShs 240 million). Focus remains on building our capacity and we aim to achieve the intended objective of providing better training facilities for employees, reduction of training costs and providing training opportunities to various stakeholders in the aviation industry.

17 STAFF PERFORMANCE MANAGEMENT

Performance of staff at all levels is reviewed annually based on pre-agreed goals and Key Performance Indicators (KPIs). Performance management process for all key management staff and Head of Units is managed using TALEO system. A well-designed manual system is used to evaluate the performance of all staff.

18 LICENSE

Swissport Tanzania Plc is licensed by Tanzania Civil Aviation Authority (TCAA) to provide ground handling and cargo handling services in Tanzania. Our current license is valid up to 3 December 2023.

19 CONCESSION AGREEMENTS

The Company has concession agreements with the Tanzania Airports Authority (TAA) to operate at Julius Nyerere (JNIA and with the Kilimanjaro Airport Development Corporation (KADCO) to operate at Kilimanjaro International Airport (KIA).
Our concession agreements to operate at Songwe and Mtwara Airports ended in December 2019 and were not renewed. The decision to exit the stations is not expected to impact financial performance of the Company.

The expiry dates of all concession agreements are as follows:

Julius Nyerere International Airport	30 April 2020 (1)
Kilimanjaro International Airport	30 June 2024

(1) The concession agreement for JNIA expired on 31 January 2020. The renewal discussions are ongoing with Tanzania Airports Authority subsequent to the expiry of the extended concession for three months to 30 April 2020.

The directors are confirming compliance with terms and conditions of the existing concession agreements as stipulated by TAA and KADCO.

20 EMPLOYEE WELFARE

a) Relationship between management and employees

A collective agreement entered into between the Communication and Transportation Workers Union (COTWU) and the management governs the relationship between the management and the employees.

The existing agreement between COTWU and the management (CBA) provides details of employees' benefits. Employees' benefits are paid as stipulated in the agreement. Three years agreement to year 2020 was signed on 20 July 2017.

COTWU provides a link between the management and the employees. Matters affecting employees are discussed between COTWU and the management on a monthly basis.
The 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 the management, the Company has a documented human resources manual. The manual clearly stipulate rights, obligations and benefits of the employees.

The Company also has a Master Workers Council (MWC), which is made up by members from the management and general employees. MWC meets at least twice a 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 Tanzania Civil Aviation Authority (TCAA), International Civil Aviation Organisation (ICAO), International Air Transport Association (IATA) and Occupational Safety and Health Authority (OSHA). The company is dully registered with OSHA, WCF, and has been issued with a compliance certificates.

20 EMPLOYEE WELFARE (CONTINUED)

c) Medical facilities
We have an agreement with National Health Insurance Fund (NHIF) and Strategies Insurance where all staff their families are covered.

d) Uniforms and protective gears
To ensure that our staff are operating in a safe environment and are protected from operational hazards, staff are properly trained on safety related matters and are provided with uniforms and all relevant protective gear that meets international standard per the aviation industry.

e) Employee benefits (Pension obligations – defined contribution plan)
All employees on permanent and fixed contracts are enrolled with the National Social Security Fund (NSSF) after the changes of the law governing social security schemes, where the government deregistered and merged various pension funds and formed two Funds to cater for public and private sectors and NSSF was earmarked to serve the private sector.
The Company contributes to NSSF at 10% of gross salary for contract staff and 15% of gross salary for permanent pensionable staff.

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

g) Group life insurance policy
The Company has a group life cover where all employees with employment contracts of over one year are covered and compensated when they are injured or demise. Funeral benefits are also provided on deaths of dependants and biological parents.

h) Workers' compensation fund (WCF)
As required by the law, we contribute on monthly basis 1% of an employee's gross salary towards workers' compensation fund. The fund compensates employees for all work-related hazards.

i) Swissport SACCOS
Swissport employees, with the support of the management, established Swissport SACCOS in 2005, whichever employees are free to join. SACCOS is meant to help employees build a culture of saving, secure short- term and soft loans. Management of SACCOS is under the independent SACCOS management, which is overseen by the SACCOS board. Overall operations of SACCOS is indirectly being monitored closely by the management. SACCOS took a 5 years loan of TShs 700 million from PPF in 2014 and the money was lent to willing staff who are members of SACCOS. The loan is repaid back on monthly basis and the balance as at 31 December 2019 was TShs 41 million. SACCOS is financially sound and has adequate funds to lend its members.

21 GENDER PARITY

At 31 December 2019, the Company had 721 (December 2018:924) full time employees, out of which 227 (December 2018: 296) were female and 494 (December 2018: 628) were male.

22 INVESTMENTS

The Company has a clear investment policy, where all investment requirements are established by Heads of Sections, reviewed, priced and included in the Company's budget. The planned investments are thereafter presented and approved by Swissport International and the Board of Directors. During the implementation of the planned investment plan, investment requests are raised by the CFO and approved by either the CEO or SPI; the approval level is determined by the approved limits set by SPI.

The Company continued with its initiatives to modernise its ground support equipment. In the year 2019, the Company invested TShs 2,416 million into the upgrade of cold room facility, Ground Support Equipment (GSE), vehicles, Information & Communication Technology and leasehold improvement (2017 – TShs 5,458 million). Details of the investments are provided in Note 17(a) to the financial statements.

23 RELATIONSHIP WITH STAKEHOLDERS

The Company has a good and strong relationship with its shareholders, customers, suppliers, bankers, lawyers, employees, tax authority, airports authority and all regulators.

Our relationships with stakeholders is built upon mutual understanding and in compliance with the agreed and stipulated terms.

24 ACCOUNTING POLICIES

Accounting policies applied are consistent, unless where new standards have been applied. New standards applied in 2019 did not result in a significant change in the financial performance but led to increased disclosures in the Company's financial statements. Future changes are not expected to bring any significant change in the financial performance or disclosures of the Company's financial statements.

25 RELATED PARTY TRANSACTIONS

Other than charges for the use of Cargospot, MAXIMO, D.A.T.E, GS Planning, FindNet, FSC, World tracer, Uniform tool, SPASS+, Infraport systems, IT support recharges, trade mark fee, procurement fee and insurance recharges, the Company does not have other transactions with its holding Company.

The Company pays directors' fees and sitting allowances to its directors and salaries and bonuses to its key management personnel. The directors are provided on page 23. The key management personnel of the Company are:

	Name	Title
1	Mr. Mrisho Yassin	Chief Executive Officer
2	Mr. Brendan Cummings	Chief Ope rating Officer
3	Mr. Imani Mtafya	Chief Financial Officer (recruited in July 2019)
4	Mr. Wandwi Mugesi	Cargo Business Lead
5	Ms. Amina Bilali	Commercial Manager
6	Mr. Shamba Mlanga	Dar es Salaam Station Manager
7	Mr. Deogratius Haule	Quality and Compliance Manager
8	Mr. Daniel Jonas	Training Manager

25 RELATED PARTY TRANSACTIONS (CONTINUED)

	Name	Title
9	Ms. Joyce Jeremiah	Kilimanjaro Station Manager
10	Mr. Jumbe Onjero	Human Resources Manager
11	Mr. Godfrey Rweyemamu	Security Business Lead

Detailed financial information with related parties are provided in Note 25 to the financial statements.

26 PROCESS MANAGEMENT

The Company operates under quality and environmental management systems, which are both internationally certified. The quality management system is certified to the ISO 9001:2015 standards, and the environmental management system is certified to the ISO 14001:2015 standards. The two standards help the Company to sustain and improve the quality of its services and ensure compliance with the environmental laws/regulations. These certifications are audited, reviewed and updated annually to maintain our certifications. Our two systems were recertified in year 2017 and the renewed certificates for ISO 9001:2015 and 14001:2015 are valid up to December 2020 and November 2020 respectively.

ISO certification requires that we have all our operational and finance processes documented.

27 IATA SAFETY AUDIT FOR GROUND OPERATIONS (ISAGO)

The Company was audited by IATA and subsequently approved as ISAGO compliant and received accredited certificates from IATA for JNIA on 11 June 2019. This means our operations in organisation and management, load control, passenger and baggage handling, aircraft handling and loading, aircraft ground movement and cargo and mail handling are compliant with IATA safety requirements.

28 SWISSPORT FORMULA

Swissport Formula is a management tool kit, which was introduced by SPI throughout the Swissport Network. At the Dar es Salaam Office, this tool was rolled out in 2008 aiming at changing the Swissport culture from a local understanding of *"The Swissport way of doing things"* to a more global approach, reinforcing local strengths with the Swissport core values. Since the introduction of the Swissport Formula, we have witnessed service improvements at all levels and this has enabled the top management to concentrate on important tasks of controlling, directing and not on daily operational issues that are now under first level management or middle managers in order to achieve quality targets in operations. The Swissport Formula consists of two key elements namely: **KPI's** and **Active Supervision**.

Key Performance Indicators (KPI's) are performance measurements that play a very important role in our daily operations, helping us to measure our own performance for the purpose of continuous improvement. Active Supervision is a structured management system that empowers middle managers, in a formal and structured way, to control the entire daily operation. This enables the delivery of consistent and robust operational performance, along with the management of operational anomalies, by a strong and well-trained middle management team.

In addition to this, we have implemented Cargo iQ for the management of cargo operations.

29 SAFETY

Delivering a safe and secure operation is the primary objective of Swissport internationally and Swissport Tanzania. The business operates a robust Safety Management System (SMS) alongside its Quality Management System (QMS). Implementation is governed by the corporate policy whose objectives are achieved through the implementation of the Safety and Health Management Manual.

The SMS is structured in the manner that ensures that everyone participates in ensuring safety within the Company, via a healthy reporting culture. Our aim is to consistently ensure compliance with regulatory, airport, airline and corporate safety requirements.

To ensure safety is promoted, safety campaigns are regularly carried out. Safety alerts and posters are issued to enhance staff awareness. Safety inspections and audits are done frequently, as a component of safety assurance. Incidents and safety observations (both good practise and deviations) are regularly captured and analysed to assess the effectiveness of SMS. No major safety incident was recorded in year 2019, which continues the strong trend in recent years.

A unique initiative, the Safety Health Improvement Program (SHIP), was launched in Swissport Tanzania Plc. in 2017, which is a facilitation program aimed at engaging our people by creating awareness, developing knowledge and ensuring proactive safety leadership. The program has also helped the team to develop quick wins and has resulted in the improvement of operational safety as well as the safety culture. The program also continues to engage the executive management team, who have committed to support and drive the program. The management of safety requires engagement at every level of the business. It is organic and continues to evolve; it is a culture; a way of doing business. A strong safety culture is good business.

30 ENVIRONMENT

The Company has implemented the Environmental Management System (EMS), which provides a mechanism for environmental management throughout the Company. EMS is designed to address environmental aspects that may influence our operations. These include those, which can be controlled and directly managed, and those, which cannot. Like any other Management systems, EMS is governed by the environmental policy.

The Company environmental policy is designed to ensure compliance with the existing environmental regulations and any other instructions issued within the aviation industry.

No project is implemented without a thorough assessment of its impact to the environment and necessary approvals are obtained.

31 CORPORATE SOCIAL RESPONSIBILITY

We have a corporate social responsibility policy. Our policy is directed towards contributing to the country's economic development and environmental sustainability, while improving the welfare of our employees and their families, shareholders as well as of the community and society at large.
In addition to what we offer to our staff in terms of staff benefits and shareholders in terms of dividends, the Company has engaged in various training, safety and environmental programs, which benefit society. The Company has also set aside a budget of TShs 100 million for year 2020 for supporting various community development initiatives.

During year 2019, the Company contributed for treatment of malaria and dengue for children with disabilities, treatments for children from poor families suffering heart diseases, horticultural activities

31 CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

in Mbeya and bought two patient monitors for Temeke hospital. Total amount spend for year 2019 for Corporate Social Responsibilities Activities was TShs 40 million (2018 – TShs 39 million).

32 STATION MANAGEMENT

The Company has four main operating stations, namely Julius Nyerere International Airport (JNIA), Kilimanjaro International Airport (KIA), Songwe International Airport and Mtwara. All stations have operational autonomy and have independent operational teams. Each is controlled from the Head Office (JNIA).

JNIA and KIA have full accounting functions, while accounting functions for Songwe and Mtwara are performed at JNIA. The Company's CFO is responsible for all accounting functions.

33 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; all of them are non-executive directors hence not involved in the day to day running of the business. All directors are considered by the Board to be independent of the 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 a 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 2019 (2018 – two board meetings), which were attended by the Chief Executive Officer and Chief Financial Officer. Mr Mark Skinner chaired the Board and he was responsible for the assessment of the performance of board members.

ii) Directors remuneration

Directors' remunerations are approved at the Annual General Meeting (AGM). These include director's fees and sitting allowances. The Board of Directors approves key management remunerations. It is the Company's policy to remunerate its directors, and key management personnel, in accordance with their responsibilities and the prevailing market conditions. Directors' and key management remuneration is highlighted in Note 27 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 newsletters/bulletins "Oasis" issued from time to time and through Swissport International

33 CORPORATE GOVERNANCE (CONTINUED)

Ltd.'s website www.swissport.com. The Board uses the Annual General Meeting to communicate with institutional and private investors and welcomes their participation.

iv) Accountability and Audit

The Board is mindful of its responsibility to present a balanced and clear assessment of the Company's financial position and prospects. This assessment is primarily provided in the 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 robust organizational structure, risk identification and evaluation process, information and financial reporting systems, investment appraisal process, strong internal audit and a 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 comprised of three directors; Mr. Raymond P Mbilinyi, Mrs. Sujata Jaffer (Resigned in April 2019), Dr. Charles Stephen Kimei (Appointed in April 2019) and Mr. Jeroen de Clercq, a director representing Swissport International. The committee met three times during 2019 (2018 – three times) where the Chief Executive Officer, the Chief Financial Officer and the Internal Auditors attended. A representative of the Company's external auditors attended two meetings (2018 – two meetings). The Audit Committee is chaired by Mr. Jeroen de Clercq.

The Company Secretary attended all meetings conducted during the year.

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

v) Attendance of the Board and Audit Committee meetings

	Name	89th BOD meeting	90th BOD meeting	41th BAC meeting	42th BAC meeting	43th BAC meeting
1	Mr. Mark Skinner	✓	✓	*	*	*
2	Mrs. Sujata Jaffer	✓	*	✓	*	*
3	Mr. Raymond P Mbilinyi	✓	✓	✓	✓	✓
4	Mr. Jeroen de Clercq	✓	✓	✓	✓	✓
5	Dr. Charles S Kimei	*	✓	*	✓	✓
6	Mr. Rene Sutter	×	×	*	*	*

* not a member; ✓ attended the meeting; × absent with apology.

34 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.

35 GOING CONCERN

The Company has a net current liability of TZS 296 million as at 31 December 2019 (2018: net current assets of TZS 348 million). During the year, the Company recorded a reduced net profit margin to 9% from 22% in 2018: 22% as a result of competition. Furthermore, the concession agreement to operate at Julius Nyerere International Airport (JNIA) expired in January 2020 where renewal discussions are ongoing with Tanzania Airports Authority subsequent to the expiry of the extended concession for three months to 30 April 2020. Despite the aforementioned facts as well as the anticipated significant financial impact due to COVID-19, the Board of directors has reasonable belief that the Company has adequate resources to support its operations and shall continue operating for a foreseeable future.

Directors have performed an assessment of the future economic environment and the Company's future prospects and have taken measures to ensure the Company continue to be operational for the foreseeable future. See note 2 (b) for detailed disclosure.

36 AUDITORS

The auditors, KPMG, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG as auditors of the Company for year 2020 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Mr. Jeroen de Clercq
Chairman of the Board of Directors
Date: 27 May 2020

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

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of Swissport Tanzania Plc comprising the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2002.

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

The directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

As disclosed in note 2(b) of these financial statements, the directors acknowledge the existence of uncertainties of the future financial position and performance of the Company resulting from the impact of COVID-19 in the airline industry which may cast significant doubt upon the Company's ability to continue as a going concern. Although the Covid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. Directors have performed an assessment of the future economic environment and the Company's future prospects and performance considering flight cancellations by the airline customers and is planning to take among other things to adapt its workforce and cost base, to manage working capital, and reduce capital expenditure to ensure the Company continues as a going concern. As such, the financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if this basis was inappropriate.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements
The financial statements of Swissport Tanzania Plc, as identified in the first paragraph, were approved and authorised for issue by the board of directors' on 27 May 2020 and signed by:

Mr. Jeroen de Clercq
Chairman of the Board of Directors
Date: 27 May 2020

DECLARATION OF CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 31 DECEMBER 2019

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by Finance Manager responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors Responsibilities statement on an earlier page.

I Humphrey Samanya being the Finance Manager of Swissport Tanzania Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2019 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by:

Position: Finance Manager

NBAA Membership No: ACPA 1120

Date: 27 May 2020

PRESS RELEASE
SWISSPORT ASSUMES HUB MANAGEMENT FOR AIR TANZANIA AT DAR ES SALAAM AND KILIMANJARO AIRPORTS
Air Tanzania has commissioned Swissport to handle their entire hub operation at the airports of Dar es Salaam and Kilimanjaro. The new agreement includes a comprehensive service catalogue for airport ground services, air cargo handling and aviation security.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SWISSPORT TANZANIA PLC

KPMG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Swissport Tanzania Plc ("the Company"), set out on pages 47 to 87, which comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Swissport Tanzania Plc as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) of the financial statements which indicates that, the Company has a net current liability of TShs 296 Million as at 31 December 2019. In addition, its concession agreement for Julius Nyerere International Airport (JNIA) expired in January 2020 where renewal discussion are ongoing with Tanzania Airports Authority subsequent to the expiry of the extended concession for three months to 30 April 2020. Furthermore, as disclosed in Note 2(b) and Note 30(b) to the financial statements, Covid-19 pandemic has affected the Company and resulted in material uncertainties regarding its future financial performance. The Company's primary business heavily relies on the performance of aviation sector which is significantly affected by Covid-19. The suspension of international flights, restriction on cargo flights and possible restriction on local movements has and will continue to have a significant impact on the Company's performance. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Report on the Audit of the Financial Statements (continued)

Valuation of the retirement benefit obligation
Refer to note 2(c)(iii)(P) and note 22 to the financial statements

Key audit matter

The Company has an unfunded non-contributory employee gratuity arrangement for permanent and pensionable employees 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 die while in employment,

based on the length of service and salary at retirement. This arrangement qualifies as a defined benefit plan in terms of IAS 19 *Employee Benefits*.

A firm of professional actuaries, performed an actuarial valuation on behalf of the Company in respect of this defined benefit plan.

Due to the cash flow risk attached to the unfunded nature of this obligation since no separate fund is set aside to meet the retirement benefit obligations when they fall due, and the high level of judgement and estimation involved in valuation of the arrangement by the actuary, this was considered a key audit matter.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

– Involving our internal valuation and actuarial specialists in evaluating the actuarial valuation performed by the Company's actuaries and challenging the assumptions applied by comparing inputs in the valuation to the benchmarks;
– Assessing the competence, capability and objectivity of the Company's actuaries who perform the actuarial valuation;
- Assessing the assets position, existing obligations and evaluating the ability of the Company to fund the defined benefit plan when they fall due. This included evaluating the assumptions of the Company's cash flow forecast and challenging whether they are reasonable and supportable; and
– Evaluating whether the accounting treatment for the defined benefit obligation and the related disclosure in the financial statements are adequate in accordance with IAS 19 Employee Benefits including disclosures of key judgements, sensitivities and assumptions.

Revenue recognition
Refer to note 2(c)(iii)(A) and note 6 to the financial statements

Key audit matter

Revenue of the Company is comprised of two categories, cargo handling and ground handling. The Company uses a software (Cargo Spot) to initiate, process and recognize revenue from cargo handling. Inputs entered into the software such as charge rate, weight, volume and nature of the goods are subject to human intervention.

Unlike cargo handling, the process of recognition of ground handling revenue involves manual controls.

There is high volume of transactions due to the daily number of scheduled and unscheduled flights that are served by the Company, this makes revenue recognition be susceptible to errors. Moreover, revenue is among the main key performance indicators of the Company, hence, the risk of fraudulent revenue recognition.

We have determined this area to be a key audit matter due to the size, significant manual input and the significant audit effort that we required in this area.

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

– Testing whether the recorded revenue agrees with the reports from the cargo spot system. Furthermore, we assessed whether the charging rates as per the system agree to approved price list;
– For manual controls in respect of ground handling revenue, testing whether they are appropriately designed to prevent, detect and correct material errors and irregularities in revenue recognition. The controls tested included the management's review of reconciliations between sales ledgers, billing schedules and daily flight reports. These controls are designed to ensure that the recognized revenue is appropriate;
– Testing whether the recognized revenue agrees with the charging rates in the customer contracts and approved airway bills; and
– Evaluating the revenue recognition policy for compliance with the applicable accounting standard and whether this has been applied accurately.

Report on the Audit of the Financial Statements (continued)

Other Information

The directors are responsible for the other information. The other information comprises the *General information, The Chairman's Statement, Chief Executive Officer (CEO) Report, Report of Directors, Statement of Directors' Responsibilities and Declaration of Chief Financial Officer,* , but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors Responsibilities for the Financial Statements

As stated on page 40, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements
As required by the Companies Act, 2002 we report to you, based on our audit that:

- in our opinion, proper accounting records have been kept by Swissport Tanzania Plc;
- the individual accounts are in agreement with the accounting records of the Company; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG
Certified Public Accountants (T)

Signed by engagement partner: CPA Alexander Njombe (ACPA 2714)
Dar es Salaam
Date: 27 May 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

Tshs M		Notes	2019	2018
Revenue		6	**35,446**	48,214
Other operating income		7	**368**	423
Staff costs		8	**(15,383)**	(17,298)
Concession fees		9	**(3,405)**	(4,539)
Fuel and maintenance costs		10	**(1,615)**	(2,321)
Depreciation of property and equipment		17(a)	**(2,414)**	(2,469)
Amortization of intangible assets		17(b)	**(2,312)**	(2,383)
Depreciation of right of use assets		26 (b)	**(609)**	-
Rent and other occupancy costs		11	**(668)**	(1,463)
Provision for bad debts		19	**(63)**	(2,112)
Interest expense		24	**(23)**	(251)
Other operating expenses		12	**(5,829)**	(5,036)
Total operating expenses			**(31,953)**	(37,449)
Finance costs		26 (c)	**(186)**	-
Operating profit before income tax			**3,307**	10,765
Income tax expense		13	**(996)**	(3,306)
Profit for the year			**2,311**	7,459
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Actuarial (loss) / gain		22	**(1,750)**	291
Deferred income tax		14	**525**	(87)
Total other comprehensive income net of tax			**(1,225)**	204
Total comprehensive income for the year			**1,086**	7,663
Earnings per shares (TShs)	– Basic	15	**64.2**	207.2
	– Diluted	15	**64.2**	207.2

The notes on pages 52 to 87 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

Tshs M	Notes	2019	2018
ASSETS			
Non-current assets			
Intangible asset	17 (b)	**16,920**	19,232
Property and equipment	17 (a)	**16,131**	16,150
Right of use asset	26 (b)	**1,099**	-
Deferred tax asset	14	**513**	562
Staff receivable	19	**157**	289
		34,820	36,233
Current assets			
Inventories	18	**408**	392
Trade and other receivables	19	**6,944**	6,200
Income tax recoverable		**1,678**	604
Cash and cash equivalents	20	**3,435**	4,277
		12,465	11,473
Total assets		**47,285**	47,706
EQUITY			
Share capital	21	**360**	360
Retained earnings		**30,550**	33,195
Total equity		**30,910**	33,555
LIABILITIES			
Non-current liabilities			
Lease liabilities (long term)	26 (a)	**587**	-
Retirement benefit obligations	22	**3,027**	3,026
		3,614	3,026
Current liabilities			
Bank loan	24	**-**	959
Trade and other payables	23	**12,192**	10,166
Lease liabilities (short term)	26 (a)	**569**	-
		12,761	11,125
Total liabilities		**16,375**	14,151
Total equity and liabilities		**47,285**	47,706

The financial statements on pages 47 to 87 were approved and authorised for issue by the board of directors on 27 May 2020 and signed on its behalf by:

Mr Jeroen de Clercq
Chairman of the Board of Directors

Mr Raymond P Mbilinyi
Director

The notes on pages 52 to 87 are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

Tshs M	Notes	Share capital	Retained earnings	Total
Year ended 31 December 2019				
At start of year		**360**	**33,195**	**33,555**
Comprehensive income:				
Profit for the year		-	2,311	2,311
Other comprehensive income:				
Actuarial loss – net of tax		-	(1,225)	(1,225)
Total comprehensive income		-	**1,086**	**1,086**
Transactions with owners:				
Dividends paid	16	-	(3,731)	(3,731)
At end of year		**360**	**30,550**	**30,910**
Year ended 31 December 2018				
At start of year		**360**	**31,499**	**31,859**
Comprehensive income:				
Profit for the year		-	7,459	7,459
Other comprehensive income:				
Actuarial gain – net of tax		-	204	204
Total comprehensive income		-	**7,663**	**7,663**
Transactions with owners:				
Dividends paid	16	-	(5,967)	(5,967)
At end of year		**360**	**33,195**	**33,555**

The notes on pages 52 to 87 are an integral part of these consolidated financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

TShs M	Note	2019	2018
Operating activities			
Profit before income tax		**3,307**	10,765
Adjustment for:			
Depreciation of property and equipment	17(a)	**2,414**	2,469
Amortization of intangible assets	17(b)	**2,312**	2,383
Depreciation of right of use assets	26(b)	**609**	-
Unrealized exchange loss on loan	24	**-**	4
Provision for retirement benefit obligations	22	**436**	642
Loss/(gain) on disposal/write-off of equipment		**(141)**	45
Interest expense on lease liabilities	26(c)	**186**	-
Interest expense on loan	24	**23**	251
Provision for loss allowance	19	**63**	2,112
Adjustments for :			
Inventories		**(16)**	(8)
Trade and other receivables		**(675)**	(1,150)
Trade and other payables**		**710**	(1,703)
Cash generated from operating activities		**9,228**	15,810
Retirement benefits paid	22	**(1,354)**	(892)
Interest paid on lease liability	26(c)	**(186)**	-
Interest paid on loan	24	**(23)**	(251)
Income tax paid		**(1,496)**	(3,407)
Net cash generated from operating activities		**6,169**	11,260
Investing activities			
Proceeds from sale of property and equipment		**162**	-
Purchase of property and equipment and intangible asset	17(a)	**(2,416)**	(5,458)
Net cash used in investing activities		**(2,254)**	(5,458)
Financing activities			
Proceeds from loan	24	**-**	-
Loan repayment	24	**(959)**	(3,643)
Dividends paid to the Company's shareholders	16	**(3,246)**	(2,586)
Payment of principal lease liabilities	26(d)	**(552)**	-
Net cash used in financing activities		**(4,757)**	(6,229)
Net decrease in cash and cash equivalents		**(842)**	(427)
Movement in cash and cash equivalent			
Decrease in cash and cash equivalents		**(842)**	(427)
At 1 January	20	**4,277**	4,704
At 31 December	20	**3,435**	4,277
Significant non-cash transactions:			
Dividends distributed during the year but not yet paid**	16	**3,929**	3,381

The notes on pages 52 to 87 are an integral part of these consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 GENERAL INFORMATION

Swissport Tanzania Plc is a limited liability Company incorporated under the Companies Act, 2002 and is domiciled in the United Republic of Tanzania. The Company shares are listed on the Dar es Salaam Stock Exchange. The principal activities of the Company are disclosed in the Report of the Directors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basic of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002. They were authorized for issue by the Company's Board of Directors on 27 May 2020.

The financial statements have been prepared on a historical cost basis, except where fair value measurements have been applied. All values are rounded to the nearest Tanzanian million shillings (TShs M) except when otherwise indicated.

This is the first set of the Company's financial statements in which IFRS 16 Leases has been applied. Changes to significant accounting policies are described in Note 2 (c) below

b) Going concern

The Company was in a net current liability position of TShs 296 Million as at 31 December 2019 (2018: net current assets of TShs 348 Million). During the year, the Company has also experienced declined net profit margin to 9% (2018: 22%) as a result of competition. Furthermore, the concession agreement with Julius Nyerere International Airport (JNIA) expired in January 2020 where renewal discussion are ongoing subsequent to the expiry of the extended concession for three months to 30 April 2020.

The directors acknowledge the existence of material uncertainties relating to events and conditions triggered by Covid-19 on the aviation sector including suspension of international flights, and restriction on cargo flights which contribute significant portion of Company's revenue and possible restriction on local movements.

The above matters indicate existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Directors have performed an assessment of the future economic environment, future prospects and performance with assumption;

- COVID-19 will be contained by August 2020, local flights will continue to operate without disruption and has embarked in measures such as adapting its workforce and cost base, to manage working capital, and reduce capital expenditure to manage the effects that are subject to levels of uncertainty.
- Swissport International has confirmed its present intention not to demand payment of an amount equal to TShs 4.6 billion in satisfaction of the liability at least for the next 12 months from date of this financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Going concern (continued)

The entity's ability to continue as a going concern is dependent on realisation of the above assumptions and measures, as such, the financial statements have been prepared on a going concern basis and do not include any adjustments that would be necessary if this basis were inappropriate.

c) Changes in significant accounting policies

i) New and amended standards which became effective during the year

The accounting policies adopted are consistent with those of the previous financial year except as described below:

IFRS 16 Leases

The Company initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

IFRS 16 has replaced existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Leases in which the Company is a lessee

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Right of use assets is amortized on a straight line basis over the lease period.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

i) New and amended standards which became effective during the year (continued)

Leases in which the Company is a lessee (continued)

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- used hindsight when determining the lease term.

Leases in which the Company is a lessor

The Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease. This has not been the case during 2019.

Transition

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Description	1 January 2019
	Tshs
Right-of-use assets	1,708
Lease liabilities	1,708
Retained earnings	-

When measuring lease liabilities for lease that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 January 2019.The discount rate applied is 7.5% for leases denominated in USD, 14.3% for leases denominated in TZS.

Description	1 January 2019
	Tshs
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	2,061
Discounted using the incremental borrowing rate at 1 January 2019	1,733
Recognition exemption for leases of low-value assets at transition	-
Recognition exemption for leases with less than 12 months of lease term at transition	(25)
Lease kiability at 1 January 2019	1,708

ii) Standard issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

ii) Standard issued but not yet effective (continued)

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statement.

- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts

iii) Accounting policies applied consistently to all periods presented in these financial statements

A Revenue

As required by IFRS 15, the Company has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Ground handling

Contracts with customers on the ground handling service line do not have variable considerations and have only one performance obligation. Billing and revenue recognition is only done after the discharge of the performance obligation that is turnaround for ground handling.

Cargo handling

Documentation, handling and equipment revenue is recognized once the Company handover 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 the entity will collect the consideration to which it will be entitled in exchange for the storage services that was provided to the customer.

B Other operating income

Interest income

Interest earned on short-term investments is calculated using the effective interest method and recognized in the profit or loss statement over the investment period as finance income.

Rental income

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

Commissions

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

C Financial instruments

Classification and measurement

i) Financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

iii) Accounting policies applied consistently to all periods presented in these financial statements (continued)

C Financial instruments (continued)

Classification and measurement (continued)

i) Financial assets (continued)

Financial assets are held at amortised cost when they arise from contracts which give rise to contractual cash flows which are solely principal and interest and are held in a business model which mainly holds the assets to collect contractual cash flows.

These assets are measured at amortised cost using the effective interest method and are also subject to impairment losses. Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated on the amortised cost (i.e. gross carrying amount less loss allowance). Interest income is included in finance income.

The Company's financial assets are carried at amortized cost and include trade and other receivables (excluding prepayments and deposits) as well as cash and cash equivalents.

ii) Financial liabilities

Financial liabilities except those designated as at fair value through profit or loss are stated at amortised cost using the effective interest method. The financial liabilities are recognized initially at fair value and in the case of loans and borrowings plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans/borrowings.

Impairment of financial assets and contract assets

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

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

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

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days for credit customers.

The Company considers reasonable and supportable forward-looking information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment. Example of micro economic factors considered include changes in inflation rate, GDP rate and interest rates.

D. Foreign currencies

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

iii) Accounting policies applied consistently to all periods presented in these financial statements (continued)

D. Foreign currencies (continued)

Transactions and balances

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

E. 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.

The Company has two strategic divisions (Ground Handling division and Cargo Services division), which are its reportable segments. These divisions offer different products and services and are managed separately because they require self-assessment of its performance. Financial information of the reportable divisions is provided under Note 5 to the financial statements.

The Company presents assets and liabilities in the statement of financial position based on current/ non-current classification. An asset is current if it is expected to be realized or intended to be sold or consumed in normal operating cycle, held primarily for the purpose of trading, expected to be realized within twelve months after the reporting period, or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when It is expected to be settled in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

F. Determination and measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

iii) Accounting policies applied consistently to all periods presented in these financial statements (continued)

F. Determination and measurement of fair values (continued)

Further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Company has an established control framework with respect to the measurement of fair value. This include a management team that monitors need for fair valuation and sources for experts that will perform the valuation.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows;

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observed for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobserved inputs)

If the input used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Fair value disclosure is made in Note 28 to the financial statements.

G. Property and equipment

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

Description	Years
Leasehold improvements	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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

iii) Accounting policies applied consistently to all periods presented in these financial statements (continued)

G. Property and equipment (continued)

An item of property and equipment is derecognized 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, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each balance sheet date and adjusted, if appropriate. 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.

H. Intangible asset

The Company has a 15 years land lease agreement with Tanzania Airport Authority (TAA) for the land measuring 15,000 sqm. The agreement is effective from 25 April 2013 and will expire on 24 March 2028. The agreement requires the Company to build, own and transfer the warehouse to TAA after the expiration of the lease term. The Company completed the construction of the warehouse in June 2016.

The Company reviewed the terms of the agreement and concluded that the arrangement is falling within the scope of IFRIC 12 and therefore accounting the arrangement as intangible asset. The warehouse is measured at cost and amortized over the remaining lease period of 11 years.

I. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

Impairment losses of continuing operations, including impairment on inventories, are 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

iii) Accounting policies applied consistently to all periods presented in these financial statements (continued)

I. Impairment of non-financial assets (continued)

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.

J. Comparative figures

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

K. 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.

L. Cash and cash equivalents

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

M. 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.

N. Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

O. Concession fees

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

P. Employees' benefits

i) <u>Defined contribution plan</u>

All of the Company's employees are members of the National Social Security Fund ("NSSF"), which is a defined contribution plans. Law prescribes these plans. The Company and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

iii) Accounting policies applied consistently to all periods presented in these financial statements (continued)

P. Employees' benefits (continued)

i) Defined contribution plan (continued)

employees both contribute 10% or the Company and employees contribute 15% and 5% of the permanent and pensionable employees' basic salaries to the scheme, respectively. The Company also contributes 10% of non-permanent and pensionable employees' gross salary towards NSSF. The contribution is charged to the profit or loss account when incurred.

ii) Defined benefit plan

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

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

The past service costs are 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 Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefit expense in profit and loss.

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

Q. Taxes

Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or OCI.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. The current rate of corporate tax is 30%.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

iii) Accounting policies applied consistently to all periods presented in these financial statements (continued)

Q. Taxes (continued)

Deferred tax (continued)

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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 tax authority is included as part of the receivables or payables in the balance sheet.

Tax exposures

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in significant accounting policies (continued)

iii) Accounting policies applied consistently to all periods presented in these financial statements (continued)

R. Dividends distribution

It is the Company's policy to pay 50% 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. Dividends are subject to a withholding tax of 5%.

However, due to decrease in profitability, the directors resolved not to declare and pay dividend for 2019.

S. Borrowing

The Company has secured a bank loan from FNB. The loan is denominated in US$ and is secured against cession of books debts. Interest expense is recognised using the effective interest method.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Post-employment benefit obligations

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

Taxes

Significant assumptions are required in determining the Company's overall income tax provision. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Company 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Measurement of ECL allowance for trade receivable

The Company estimates expected credit loss by assessing the loss that will be incurred given customer default based on past payment experience and by assessing the probability of default taking into account information specific to the customer as well as pertaining to the country and economic environment in which the customer operates. The estimate also incorporates forward looking data.

Lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Company to exercise the option.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Company's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company's activities expose it to a variety of financial risks; foreign currency, credit and liquidity risks. The Company's overall risk management programme seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the management on behalf of the Board of Directors. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Foreign currency risk

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

The Company manages its foreign exchange risk by forecasting the amount of foreign currencies they require and hold an equivalent amount in foreign currencies (US dollar and EURO). As at 31 December 2019, the balances denominated in foreign currencies were as Shown on the table below:

	2019		2018	
Balances denominated in foreign currencies	**TShs M USD**	**TShs M EUR**	TShs M USD	TShs M EUR
Cash and bank balances	**873**	**1,230**	2,551	737
Trade and other receivables	**3,086**	**566**	3,866	534
Loan / borrowings	**-**	**-**	(959)	-
Trade and other payables	**(1,165)**	**(73)**	(704)	(62)
Lease liabilities	**(184)**	**-**	-	-
Net exposure	**2,610**	**1,723**	4,754	1,209

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (continued)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Euro 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.

	Effect on profit before tax		Effect on equity	
	Strengthening	Weakening	Strengthening	Weakening
	TShs M	**TShs M**	**TShs M**	**TShs M**
2019				
USD (10% movement)	261	(261)	183	(183)
EUR (10% movement)	172	(172)	120	(120)
2018				
USD (10% movement)	475	(475)	333	(333)
EUR (10% movement)	121	(121)	85	(85)

Interest rate risk

In broad terms the interest rate risk is the risk that concerns the sensitivity of the Company's financial performance to changes in the interest rates. The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Company' s business strategies in order to minimise interest risk. The Company does not have any exposure to the interest rate risk since it did not have outstanding borrowings as at 31 December 2019 (2018: Outstanding loan of TShs 959 million).

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding. The Company aims at maintaining flexibility in funding and aggressive collection efforts in respect of trade debtor's balances. Management monitors rolling forecasts of the Company's liquidity i.e. cash at bank and in hand (Note 20) on the basis of expected cash flows.

Forecasted liquidity reserves as extracted from short and medium-term future budget of company as at 31 December 2020 is as follows:

TShs M	**2020**
At 1 January	**3,435**
Operating activities	**7,736**
Investing activities	**(2,345)**
Financing activities	**(3,929)**
Total	**4,897**

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

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 fair values as the impact of discounting is not significant. For borrowing its interest rate is approximate the market rate.

	Carrying amount	Un-discounted contractual cash flows	Less than 1 year	1 - 2 years	2- 5 years
	TShs M	TShs M	TShs M	TShs M	TShs M
At 31 December 2019					
Lease liabilities	1,156	1,328	698	630	-
Trade and other payables (*)	11,983	11,984	11,984	-	-
Borrowings	-	-	-	-	-
	13,139	**13,312**	**12,682**	**630**	**-**
At 31 December 2018					
Trade and other payables (*)	9,835	9,835	9,835	-	-
Borrowings	959	959	959	-	-
	10,794	**10,794**	**10,794**	-	-

(*) Financial liabilities included are concession fees payable of TShs 2,004 million (2018: TShs 998 million), sundry payable of TShs 5,355 million (2018: TShs 5,361 million) and due to related party of TShs 4,624 million (2018: TShs 3,476 million) as depicted in Note 23.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company extension of credit to its customers. For risk management reporting purposes, the Company considers all elements of credit risk exposure such as individual obligator default risk, nature of customer and sector risk.

The carrying amount of financial assets represents the maximum credit exposure. The table below summaries the maximum credit exposure as at the reporting date.

	2019	2018
	TShs M	TShs M
Trade and other receivables (note 19)	**6,944**	6,200
Cash and cash equivalents (note 20)	**3,435**	4,277
At 31 December	**10,379**	10,477

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Notes 6.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days for credit customers.

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 movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

		2019 TShs M	2018 TShs M
Opening balance		**2,495**	383
Adjustment on initial application of IFRS 9		**-**	-
Balance on 1 January		**2,495**	383
Net re-measurement of loss allowance*		**63**	2,112
Closing balance		**2,558**	2,495

As at 31 December 2019, trade receivables of Tshs 2,495 million (2018: Tshs 2,406 million) were individually impaired and provided for. The individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations.

The allowance for impairment has been calculated in line with the Company's provisioning policy as described under note 2 (C).

The following table provides information about the exposure to credit risk and Expected Credit Losses (ECLs) based on the aging analysis of trade receivables:

2019	Gross TShs M	Impairment TShs M	Net TShs M
Current (not past due)	2,030	-	2,030
31 to 60 days	1,471	(38)	1,433
61 to 90 days	582	(15)	567
91 to 122 days	152	(2)	150
Over 181 days	634	(8)	626
Closing balance	**4,869**	**(63)**	**4,806**

2018	Gross TShs M	Impairment TShs M	Net TShs M
Current (not past due)	5,340	-	5,340
31 to 60 days	1,243	(4)	1,239
61 to 90 days	273	(3)	270
91 to122 days	152	(23)	129
Over 181 days	573	(59)	514
Closing balance	**7,581**	**(89)**	**7,492**

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Strategic, Commercial, operational and financial risks

Through its risk management system, the Company identified strategic, commercial, operational and financial risks that faces the Company and implement strategies to mitigate the impact of the identified risks. These risks are mitigated by either establishing controls, meeting and discussing issues with customers, improving service delivery, investing and training of staff. These risks are well mitigated and have no significant impact to the financial performance of the Company.

Capital risk management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives policies or processes during the years ended 31 December 2019 and 31 December 2018. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. As of 31 December 2019 the Company had a gearing ratio of 0% (2018: 3%).

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 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.

5 SEGMENT INFORMATION (CONTINUED)

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

2019 Income and expenses		Ground handling TShs M	Cargo handling TShs M	Total TShs M
Revenue		16,951	18,495	35,446
Other operating income		202	166	368
Staff costs		(9,230)	(6,153)	(15,383)
Concession fees		(1,622)	(1,783)	(3,405)
Fuel and maintenance costs		(969)	(646)	(1,615)
Depreciation and amortisation		(1,878)	(3,457)	(5,335)
Rent and other occupancy costs		(134)	(534)	(668)
Provision for bad debt		(63)	-	(63)
Interest expense		(14)	(9)	(23)
Other operating expenses		(3,497)	(2,332)	(5,829)
Finance cost		(67)	(119)	(186)
Profit before income tax		**(321)**	**3,628**	**3,307**

2019 Assets and liabilities	Ground handling TShs M	Cargo handling TShs M	Unallocated TShs M	Total TShs M
Total assets	28,371	18,366	548	**47,285**
Total liabilities	7,387	8,106	882	**16,375**
Capital expenditure	122	2,221	73	**2,416**

2018 Income and expenses		Ground handling TShs M	Cargo handling TShs M	Total TShs M
Revenue		29,524	18,690	**48,214**
Other operating income		241	182	423
Staff costs		(10,379)	(6,919)	(17,298)
Concession fees		(2,694)	(1,845)	(4,539)
Fuel and maintenance costs		(1,393)	(928)	(2,321)
Depreciation		(1,599)	(3,253)	(4,852)
Rent and other occupancy costs		(417)	(1,046)	(1,463)
Provision for bad debt		(2,112)	-	(2,112)
Interest expense		(151)	(100)	(251)
Other operating expenses		(3,022)	(2,014)	(5,036)
Finance cost		-	-	-
		(21,526)	(15,923)	**(37,449)**
Profit before income tax		**7,998**	**2,767**	**10,765**

5 SEGMENT INFORMATION (CONTINUED)

2018 Assets and liabilities	Ground handling TShs M	Cargo handling TShs M	Unallocated TShs M	Total TShs M
Total assets	25,123	22,097	486	**47,706**
Total liabilities	6,595	6,980	576	**14,151**
Capital expenditure	4,857	345	256	**5,458**

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

GEOGRAPHICAL SEGMENT - 2019

	DAR TShs M	KIA TShs M	Songwe TShs M	Mtwara TShs M
Revenue	30,906	4,279	192	69
Total operating costs (*)	27,996	3,937	131	75
Total assets	43,815	3,279	169	22

GEOGRAPHICAL SEGMENT - 2018

	DAR TShs M	KIA TShs M	Songwe TShs M	Mtwara TShs M
Revenue	37,851	9,556	740	67
Total operating costs (*)	30,654	6,343	388	64
Total assets	41,840	5,662	158	46

(*) Total operating cost is presented net of other operating income.

6 REVENUE

A. Revenue streams

The Company's generates revenue primarily from ground handling and cargo handling as shown below

Revenue from contract with customers	2019 TShs M	2018 TShs M
Ground handling	**16,951**	29,524
Cargo handling	**18,495**	18,690
Total revenue	**35,446**	48,214

6 REVENUE (CONTINUED)

B Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and major service lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments. For more details see note 5 of the report of the directors.

	Major Service Line			
	Ground Handling		Cargo handling	
	2019 TShs M	2018 TShs M	2019 TShs M	2018 TShs M
Primary geographical markets				
Kilimanjaro International Airport	**3,045**	7,830	**1,234**	1,726
Dar es salaam International Airport	**13,645**	20,887	**17,261**	16,964
Mtwara airport	**69**	67	**-**	-
Songwe airport	**192**	740	**-**	-
Total revenue	**16,951**	29,524	**18,495**	18,690

C. Contract balances

As noted on note 2(A), the Company is in the business of providing ground and cargo handling services. Prices for ground handling services are bundled (but with no variable consideration) where as prices for cargo handling services are individually identified separately. The whole receivable balance is included under trade and other receivables. The Company does not have obligations to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer that is conditional. As such the Company does not have contract liabilities and contract assets.

D. Performance obligation and revenue recognition policy

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer. Contracts with customers on the ground handling service line do not have variable considerations and have only one performance obligation. Billing and revenue recognition is only done after the discharge of the performance obligation that is turnaround. On the cargo handling service line, since the Company has pricing for each service provided for and billing is only made upon provision of the service and discharge of performance obligation. The services under the cargo business line have been clearly disaggregated. 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 the entity will collect the consideration to which it will be entitled in exchange for the storage services that was provided to the customer.

7 OTHER OPERATING INCOME

	2019 TShs M	2018 TShs M
Rental income	**229**	250
Commission on freight charges	**-**	99
Gain on disposal of property and equipment	**162**	-
Foreign exchange (loss)/ gain	**(23)**	74
	368	423

8 STAFF COSTS

	2019 TShs M	2018 TShs M
Salaries and wages	**9,732**	11,280
Pension cost – defined contribution plans	**1,183**	1,305
Pension cost – defined benefit plan	**436**	642
Other staff costs	**4,032**	4,071
	15,383	17,298

9 CONCESSION FEES

Concession fees – Tanzania Airports Authority	**3,106**	3,869
Concession fees – Kilimanjaro Airport Development Company	**299**	670
	3,405	4,539

Concession fees are paid to Tanzania Airports Authority (TAA) and Kilimanjaro Airport Development Company (KADCO). 7% of the ground and cargo handling revenue was paid to KADCO (2018 – 7%) as concession fees and 10% of the ground and cargo handling revenue is paid to TAA (2018 – 10%) as concession fees. A further concession of 5% (2018 – 5%) of revenue generated from Mtwara and Songwe Airports is also payable to Tanzania Airports Authority (TAA).

10 FUEL AND MAINTENANCE COSTS

	2019 TShs M	2018 TShs M
Fuel – Ground support equipment	**120**	134
Fuel – Motor vehicles	**452**	734
Maintenance – Ground support equipment	**742**	988
Maintenance – Motor vehicles	**210**	247
Maintenance – Others	**91**	218
	1,615	2,321

11 RENT AND OTHER OCCUPANCY COSTS

	2019 TShs M	2018 TShs M
Rent – TAA	**211**	710
Rent – KADCO	**-**	314
Utility charges	**457**	439
	668	1,463

12 OTHER OPERATING EXPENSES

	2019 TShs M	2018 TShs M
Telecommunication and internet charges	**690**	399
IT and other information processing services	**1,374**	946
Trade mark fee	**418**	-
Purchase of ground services	**869**	919
Insurance	**643**	536
Travel and transportation	**164**	304
Legal and consultancy fees	**350**	214
Advertising and publicity	**46**	63
Auditors' remuneration	**157**	181
Directors' emoluments	**118**	96
Bank charges	**114**	102
Other administration expenses	**886**	1,276
	5,829	5,036

13 INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	2019 TShs M	2018 TShs M
Current tax charge – current year	533	3,666
– prior year	(111)	-
Deferred tax (credit) charge (Note 14) – current year	544	(370)
– prior years	30	10
	996	3,306

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:

	2019 TShs M	2018 TShs M
Profit before income tax	**3,307**	10,765
Tax calculated at a tax rate of 30%	**992**	3,230
Expenses not deductible for tax purpose	**85**	69
Profit not subjected to income tax	**-**	(3)
Prior periods – deferred tax (Credit)	**(81)**	10
Income tax expense	**996**	3,306

14 DEFERRED TAX

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

	2019 TShs M	2018 TShs M
Accelerated capital allowance	**1,282**	1,271
Retirement benefit obligation charged to reserve	**(908)**	(388)
Provisions	**(887)**	(1,445)
Net deferred income tax assets	**(513)**	(562)
The gross movement on the deferred income tax accounts is as follows:		
At 1 January	**(562)**	(289)
Debit to the profit or loss statement (Note 13)	**574**	(360)
Debit to the other comprehensive income (OCI)	**(525)**	87
At 31 December	**(513)**	(562)

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:

	2019	2018
Attributable profit to ordinary shareholders – TShs	**2,311,000,000**	7,459,000,000
	Number	Number
Weighted average number of ordinary shares	**36,000,000**	36,000,000
Basic earnings per share - TShs	**64.2**	207.2

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.

	2019	2018
Attributable profit to ordinary shareholders – TShs	**2,311,000,000**	7,459,000,000
	Number	Number
Weighted average number of ordinary shares	**36,000,000**	36,000,000
Diluted earnings per share – TShs	**64.2**	207.2

16 DIVIDENDS

	2019 TShs M	2018 TShs M
Final dividends for 2018 of TShs 103.61 per share (2017: TShs 165.75 per share)	**3,731**(*)	5,967

(*) The actual cash paid during the year was TShs 3,246 million for local shareholders (2018: TShs 2,586). Dividend payable to Swissport International Ltd amounting to TShs 3,929 million (2018: TShs 3,381 million) is yet to be paid.

The directors resolved not declare and pay dividend for 2019 (2018 – dividend of TShs 3,730 million equal to TShs 103.61 per issued and fully paid in share).

17 (A) PROPERTY AND EQUIPMENT

	Capital work in progress TShs M	Leasehold property improvements TShs M	EDP hardware & equipment TShs M	Motorized equipment TShs M	Non-motorized equipment TShs M	Other assets TShs M	Total TShs M
Cost							
At 1 January 2019	-	2,675	1,703	20,401	5,276	3,073	33,128
Additions	2,013	-	8	115	207	73	2,416
Write offs/disposals	-	-	(942)	(408)	(416)	(470)	(2,236)
At 31 December 2019	**2,013**	**2,675**	**769**	**20,108**	**5,067**	**2,676**	**33,308**
Depreciation							
At 1 January 2019	-	1,807	1,413	7,377	3,946	2,435	16,978
Charge for the year	-	264	84	1,364	415	287	2,414
Write offs/disposals	-	-	(942)	(387)	(416)	(470)	(2,215)
At 31 December 2019	-	**2,071**	**555**	**8,354**	**3,945**	**2,252**	**17,177**
Net book value							
At 31 December 2019	**2,013**	**604**	**214**	**11,754**	**1,122**	**424**	**16,131**

There is no impairment loss relating to property and equipment recognised in the financial statements. Additionally, the Company has no loan, therefore assets are not pledged as security.

17 (A) PROPERTY AND EQUIPMENT (CONTINUED)

	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
Cost						
At 1 January 2018	2,513	1,471	16,030	5,356	2,968	28,338
Additions	162	232	4,720	12	332	5,458
Write offs/disposals	-	-	(349)	(92)	(227)	(668)
At 31 December 2018	2,675	1,703	20,401	5,276	3,073	33,128
Depreciation						
At 1 January 2018	1,536	1,363	6,491	3,460	2,282	15,132
Charge for the year	271	50	1,190	578	380	2,469
Write offs/disposals	-	-	(304)	(92)	(227)	(623)
At 31 December 2018	1,807	1,413	7,377	3,946	2,435	16,978
Net book value						
At 31 December 2018	**868**	**290**	**13,024**	**1,330**	**638**	**16,150**

There is no impairment loss relating to property and equipment recognised in the financial statements.

17 (B) INTANGIBLE ASSET

	2019 TShs M	2018 TShs M
Intangible asset (IFRIC 12) under construction		
Cost		
At January	**25,264**	25,264
Additions	-	-
Write off	-	-
At December	**25,264**	25,264
Accumulated amortisation:		
At January	**6,032**	3,649
Write off	-	-
Charge for the year	**2,312**	2,383
At December	**8,344**	6,032
Net book value as at the end of the year	**16,920**	19,232

On 25 April 2013, the Company entered into a land lease agreement with Tanzania Airports Authority. The agreement is for the lease of land measuring 15,000 square meters for the period of 15 years from the date of the last signing of the agreement, which was 25 April 2013. The Company is paying annual land lease of US$ 75,000 (US$ 5/sqm).

17 (B) INTANGIBLE ASSET (CONTINUED)

As per the lease agreement the Company was required to construct an import warehouse under the Built Own and Transfer terms (BOT). Meaning that after the expiration of 15 years period from 25 April 2013 the constructed warehouse will be transferred and be legally owned by the Tanzania Airports Authority.

The construction of the asset was completed in June 2016 and commenced amortization soon after the construction was completed and handed over to the Company ready for use.

The asset is accounted for as intangible assets as it meets criteria stipulated under IFRIC 12 Service Concession Arrangements, which are:

- The grantor controls or regulates services offered by the Company, to whom it has to provide the service (general public) and the prices at which the services are charged; and

- The grantor will control through ownership a significant residual interest in the building at the expiry of the remaining 12 years lease period.

The Company does not have the right to receive any consideration for construction services of the warehouse from the Tanzania Airports Authority.

18 INVENTORIES

	2019 TShs M	2018 TShs M
Spare parts	225	220
Stationery	42	70
Cleaning materials	16	26
Fuel	44	59
Uniforms	81	96
Less: Provision for impairment on inventories	-	(79)
	408	392

The amount of write-down of inventories recognized as a release is Nil (2018: TShs 79 million). The cost of inventories recognized as an expense and included in the fuel and maintenance costs amounted to TShs 2,136 million (2018: TShs 2,285 million). Inventories are not pledged as security.

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

	2019 TShs M	2018 TShs M
At 1 January	79	109
Release	(79)	(30)
At 31 December	-	79

19 TRADE AND OTHER RECEIVABLES

	2019 TShs M	2018 TShs M
Trade receivables	**7,364**	7,582
Less: Provision for impairment of receivables	**(2,558)**	(2,495)
Trade receivables – net	**4,806**	5,087
Deposits and prepayments	**1,458**	528
Staff receivables	**499**	514
Building materials revolving fund	**47**	56
Staff car loans(*)	**134**	15
	6,944	6,200

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

(*) The staff car loans exclude TShs 157 million (2018: TShs 289 million) receivable after 1 year.

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

	2019 TShs M	2018 TShs M
At 1 January	**2,495**	383
Charge for the year	**63**	2,112
At 31 December	**2,558**	2,495

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

	2019 TShs M	2018 TShs M
US dollars	**3,086**	3,866
Tanzanian shillings	**3,712**	3,181
Euro	**566**	535
	7,364	7,582

Information about the Company's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 4.

20 CASH AND CASH EQUIVALENTS

	2019 TShs M	2018 TShs M
For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise:		
Cash at bank	**3,421**	4,263
Cash on hand	**14**	14
	3,435	4,277

21 SHARE CAPITAL

Authorised:	2019 TShs M	2018 TShs M
50,000,000 Ordinary shares of TShs 10 each	**500**	500
Issued and fully paid: 36,000,000 Ordinary shares of TShs 10 each	**360**	360
The issued shares were held as follows: - Swissport International Ltd. (a foreign shareholder) – 51%	**184**	184
Local shareholders – 49%	**176**	176
	360	360

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

22 RETIREMENT BENEFIT OBLIGATIONS

	2019 TShs M	2018 TShs M
As at 1 January	**3,026**	3,601
Current service cost	**83**	130
Interest cost (discount unwinding)	**353**	512
Actuarial loss/ (gain)(1)	**1,750**	(291)
Benefits paid during the year	**(1,354)**	(892)
Unclaimed benefits	**(831)**	(34)
As at 31 December	**3,027**	3,026

(1) Re-measurements of the net defined benefit liability (asset) are recognised in OCI and are not reclassified to profit or loss in a subsequent period. However, the Company may transfer cumulative amounts recognised through OCI to another component of equity.

22 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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 die while in employment, based on length of service and salary at retirement and qualifies as a defined benefit plan. A firm of professional actuaries, Muhanna & Co Actuaries and Consultants, carried out the actuarial valuation of the Arrangement as at 31 December 2019 using the Projected Unit Credit Method.

As at 31 December 2019 the present value of the accrued (past service) liability in respect of retirement gratuity benefits was TShs 3,027 million (2018: TShs 3,026 million). The principal assumptions used in the actuarial valuation are:

i) Discount rate of 11.3% (2018 – 17.7%)
ii) Rate of salary escalation of 5.5% (2018 – 5%)
iii) Retirement age 60 years (2018 – 60 years)
iv) Mortality pre-retirement - (2018 – A1949-1953)

The 'notional' Company contribution rate to meet the cost of future accrual of gratuity benefits is estimated at 5% of salaries per annum (2018: 5%). The next valuation is due on 31 December 2020. The 3-year trend of this non-contributory employee gratuity arrangement is as follows:

	2019 TShs M	2018 TShs M	2017 TShs M
Present value of the defined benefit obligation	3,027	3,026	3,601

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

	2019 TShs M	2018 TShs M
Current service cost	83	130
Interest cost (discount unwinding)	353	512
Total, included in staff costs (Note 8)	436	642

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

Sensitivity of the results

Changing parameter	Baseline	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Discount rate	11.30%	11.80%	10.80%	11.80%	11.80%
Inflation rate	5.00%	5.00%	5.00%	5 .50%	4.50%

	Base line TShs M	Scenario 1 TShs M	Scenario 2 TShs M	Scenario 3 TShs M	Scenario 4 TShs M
Actuarial liability	3,027	2,971	3,085	3,092	2,965
Service cost	6.50%	6.40%	6.70%	6.70%	6.40%

22 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Sensitivity of the results (continued)

The arrangement is unfunded and the Company pays benefits from general revenues as and when they arise. The timing of the benefit payments from the arrangement will be influenced by the age at which employees retire from the Company.

The weighted average duration of the liability as at 31 December 2019 is 6 (2018 – 3.1).

Retirement contribution plan

	2019 TShs M	2018 TShs M
Contributions to NSSF	1,092	820
Contributions to PSSF	91	485
Total	1,183	1,305

23 TRADE AND OTHER PAYABLES

	2019 TShs M	2018 TShs M
Airport Authorities – Concession fees	2,004	998
Trade payable	1,614	1,488
Payable to a related party (Note 25)	4,624	3,476
Bonus payable	337	470
Dividend payable	1,668	2,127
Other payables	1,945	1,607
	12,192	10,166

- Trade payables are non-interest bearing and are normally settled between 15 to 45 days after date of invoice. All trade and other payables are current;
- Other payables are non-interest bearing and have an average credit term of 30 days; and
- For terms and conditions relating to related party transactions, refer to Note 25.

24 LOAN AND BORROWING

	2019 TShs M	2018 TShs M
Loan movement		
As at 1 January	959	4,598
Proceeds from loan	-	-
Repayment of loan	(959)	(3,643)
Finance cost*	23	251
Interest paid	(23)	(251)
Unrealised exchange loss	-	4
	-	959
Loan classification		
Current portion	-	959
Non-current portion	-	-
	-	959

* Finance cost is recognised as a separate item in the statement of profit or loss and other comprehensive income.

24 LOAN AND BORROWING (CONTINUED)

Swissport Tanzania Plc received a loan from FNB Bank with annual interest rate of 3-month LIBOR plus 5.6%. The loan was repaid in full during the year (2018: TShs 959 million). The loan was denominated in US$ and secured against cession of books debts. Interest expense was recognised using the effective interest method.

25 RELATED PARTY DISCLOSURES

Transactions with the related companies

The Company's parent company is Swissport International Ltd. ("SPI") a majority shareholder of the Company. The ultimate holding Company is HNA Group incorporated in China. Other than recharges for the use of Cargospot, FindNet, FSC, World tracer, Uniform tool, SPASS+, and Infraport systems, travel and IT support recharges and insurance recharges, the Company did not enter into significant transactions with Swissport International Ltd. The Company also did not enter into any transaction with HNA Group.

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

		2019 TShs M	2018 TShs M
(a)	Cargospot charges	78	80
(b)	MPC and IT systems charges	1,221	427
(c)	Trade mark fees	418	-

The details of the performance guarantee issued in favour of the Company through Swissport International Ltd are disclosed in Note 27 to the financial statements.

	2019 TShs M	2018 TShs M
Payable to a related party		
Swissport International Ltd.		
Other payable	695	95
Dividend payable to SPI	3,929	3,381

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

	2019 TShs M	2018 TShs M
Directors who existed at 31 December		
Mr Mark Skinner *	23	23
Mrs Sujata Jaffer	31	26
Mr Raymond P Mbilinyi	38	26
Mr Charles Kimei	8	-
Mr Jeroen de Clercq *	18	18
Mr Rene Sutter *	18	18
	136	111

* These are paid directly to Swissport International Ltd.

25 RELATED PARTY DISCLOSURES (CONTINUED)

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:

	2019 TShs M	2018 TShs M
Salaries and short-term benefits	2,451	1,823
Post-employment retirement benefits	809	1,364

26 LEASES

A. Leases as lessee (IFRS 16)

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

a) Lease liabilities

Lease liability classification	2019 TShs M	2018 TShs M
Current portion	**569**	-
Non-current portion	**587**	-
	1,156	-

b) Right-of-use assets 2019

	Buildings 2019 TShs M
Cost	
Balance at 1 January	**1,708**
Additions	**-**
At December	**1,708**
Accumulated amortisation:	
At January	**-**
Depreciation charge for the year	**(609)**
At December	**(609)**
Balance as at 31 December	**1,099**

26 LEASES (CONTINUED)

A. Leases as lessee (IFRS 16) (continued)

c) Amounts recognised in profit or loss

2019 – Leases under IFRS 16	2019 TShs M
Interest on lease liabilities	186
Expenses relating to short-term leases*	731
2018 – Operating leases under IAS 17	
Lease expense (Rent and other occupancy costs)	1,463

*During the year the Company leased staff buses from Azan Investment limited. Furthermore the Company has been paying rents to the Director General for Songwe and Mtwara airports. All these leases were assessed to be short term leases.

d) Amounts recognised in statement of cash flows

	2019
Within operating cash flows (interest on lease liabilities and short term leases)	902
Within financing cash flows (payment of principal lease liabilities)	552

e) Extension options

As stated in note 3 in the Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Company has considered extension options in the available contracts to arrive at present lease liability of TShs 1.16 billion.

B. Leases as lessor

Operating leases

The Company leases out its buildings to other parties, consisting of offices in new cargo warehouse facility. The leases are classified as operating leases from a lessor perspective.

The Company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 2(c) (i) sets out information about the operating leases of building properties.

Rental income recognised by the Company during 2019 was TShs 229 million (2018: TShs 250 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

26 LEASES (CONTINUED)

B. Leases as lessor (continued)

Operating leases (continued)

2019 – Operating leases under IFRS 16	TShs M
Less than one year	179
Between one and five years	120
More than five years	-
Total	**299**

2018 – Operating leases under IAS 17	TShs M
Less than one year	95
Between one and five years	155
More than five years	-
Total	**250**

27 COMMITMENTS AND CONTINGENCIES

Capital commitments

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

	2019 TShs M	2018 TShs M
Approved and contracted for	**362**	208
Approved but not contracted	**691**	-

Legal claims contingency

As at 31 December 2019, 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 TShs 225 million (2018: TShs 250 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 five years concession agreement with Tanzania Airports Authority (TAA) on 1 February 2016 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 24 February 2016 by Banco de Sabadell S.A (London Branch) through Swissport International Ltd. The guarantee will expire on 31 December 2020. 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.

28 FAIR VALUES

Set out below, is a comparison by class of the carrying amounts and approximate fair value of the Company's financial instruments not measured at fair value:

	Carrying amount		Approximate Fair value	
	2019 TShs M	2018 TShs M	**2019 TShs M**	2018 TShs M
Applicable assets				
Trade and other receivables (*)	**6,944**	6,200	**6,944**	6,200
Cash and cash equivalents	**3,435**	4,277	**3,435**	4,277
Applicable liabilities				
Trade and other payables (**)	**11,983**	9,835	**11,983**	9,835
Borrowing	**-**	959	**-**	959

(*) Financial assets included are trade receivables, staff receivables, building material, revolving fund and staff car loans as depicted in note 19.

(**) Financial liabilities included are concession fees payable, sundry payable and due to related party as depicted in note 23.

The management assessed that fair values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their carrying amounts largely due to short-term maturities of these instruments. Borrowing have interest rate approximating to the market rate.

29 ULTIMATE HOLDING COMPANY

51% of the Company's ordinary shares are owned by Swissport International Ltd. while the remaining 49% of Company's ordinary shares are owned by the general public through the Dar es Salaam Stock Exchange. The then ultimate controlling entity is HNA Group Co Ltd (HNA Group) a leading aviation and tourism company in China.

30 SUBSEQUENT EVENTS

a) Capital gain tax on sale of Aguila 2 S.A.R.L.

In February 2016, the Ultimate holding company of Swissport Tanzania Plc changed from PAI Partner to the Chinese HNA Group Co after the later acquired 100% shares of Aguila 2 S.A.R.L. This resulted to the change of the underlying ownership of Swissport Tanzania Plc but no capital gain tax was paid in 2016 and the years after as the matter was in discussion at various stages.

In 2020, the discussions on the matter was concluded and Swissport Tanzania Plc is required to pay capital gain tax on the transaction. As per the self-assessment, a capital gain tax of TZS 5,990 Million as a principal amount and interest of TZS 2,497 Million have to be paid by Swissport Tanzania Plc. Since the transaction happened at the group level, the said tax shall be paid by Swissport International Ltd while Swissport Tanzania Plc will act as a collecting agent.

30 SUBSEQUENT EVENTS (CONTINUED)

b) COVID 19 Impact

The outbreak of COVID-19 in December 2019 and its spreading around the globe by February 2020 has claimed the lives of many people and caused heath concerns worldwide. On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organization. In response to COVID-19 lockdowns and/or travel bans have been announced by various governments globally. These measures and many others have significantly affected the aviation industry and it related industries. As a consequence, Swissport Tanzania business has been significantly impacted. The Company's financial performance for 2020 will largely depend upon the time taken to fully control COVID-19 and see the resumption of the business. Management has embarked in measures such as adapting its workforce and cost base, to manage working capital, and reduce capital expenditure to manage the effects that are subject to levels of uncertainty.

MANAGEMENT TEAM

FOR THE YEAR ENDED 31 DECEMBER 2019

Mrisho B. Yassin
Chief Executive Officer

Brendan Cummings
Chief Operating Officer

Imani Mtafya
Chief Financial Officer
(recruited in July 2019)

Wandwi Mugesi
Cargo Business Lead

Amina Bilali
Commercial Manager

Shamba Mlanga
Dar es Salaam
Station Manager

Deogratius Haule
Quality and Compliance
Manager

Daniel Jonas
Training Manager

Joyce Jeremiah
Kilimanjaro Station
Manager

Jumbe Onjero
Human Resources
Manager

Godfrey Rweyemamu
Security Business Lead

GENERAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2019

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1st Floor – Swissport Freight Terminal
Julius Nyerere International Airport
PO Box 18043
Dar es Salaam

COMPANY SECRETARY

KW KAPINGA & PARTNERS
Kamanga Wilbert Kapinga
Plot 1, Jitegemee Road
Msasani
PO Box 75886
Dar es Salaam

EXTERNAL AUDITORS

KPMG
The Luminary
Plot No.574, Haile Selassie Road
Msasani Peninsula Area
P.O. Box 1160
Dar es Salaam

INTERNAL AUDITORS

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

TAX ADVISORS

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

LAWYERS

KW KAPINGA & PARTNERS
Kamanga Wilbert Kapinga
Plot 1, Jitegemee Road
Msasani
P.O. Box 75886
Dar es Salaam

MAIN BANKERS

NMB Bank Plc.
Airport Branch
P.O. Box 40951
Dar es Salaam

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

First National Bank Tanzania Limited
P.O. Box 72290
FNB House
Ohio Street
Dar es Salaam

INSURERS

Phoenix of Tanzania Assurance Co. Limited
8th Floor, IPS Building
Samora Avenue
P.O. Box 5961
Dar es Salaam

Alliance Life Assurance Ltd
5th Floor, Exim Tower
Ghana Avenue
P.O. Box 11522
Dar es Salaam

Heritage Insurance Co. Tanzania Ltd
Oyster bay Office Complex, 368
Msasani Road – Oyster Bay
P.O. Box 7390
Dar es Salaam

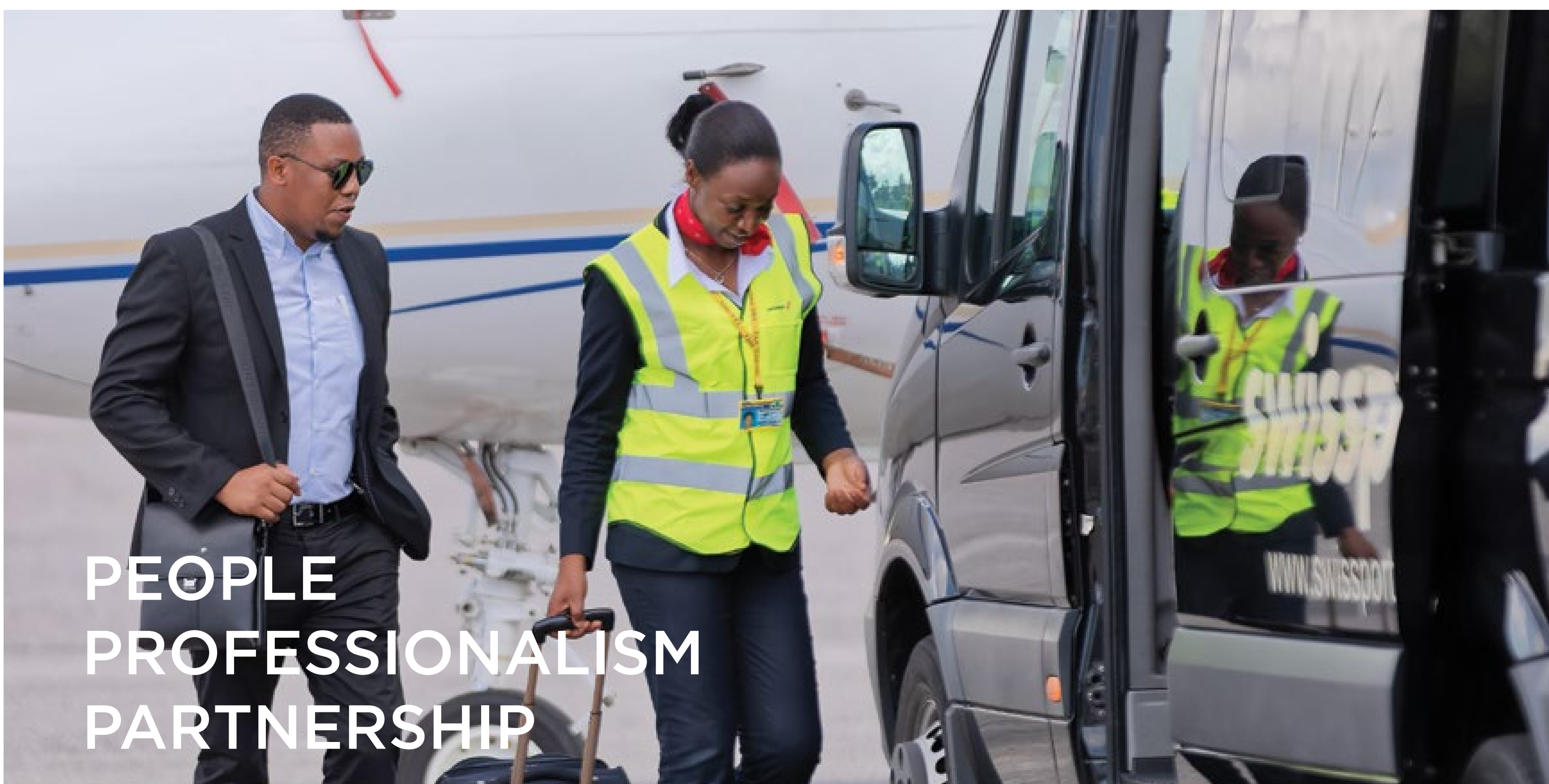
NOTES


AKE 15854 EK
Emirates
SPT 120-015
SPT 120-013
air marrel
air marrel

From landing to take-off: We care!

Swissport Core values

Swissport is a people-focused organisation - without our people we simply cannot meet our goals and achieve our vision. As such, we focus on the principles of sustainability and compliance, living by the “Three Ps”.



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