Zambia AIRPORTS Corporation Limited

2020 ANNUAL REPORT

Our Vision

"A leading provider of world class airport and air navigation services."

Our Mission

"To develop and manage airport and air navigation infrastructure and services to international standards, meeting our stakeholders' values while profitably contributing to national economic development."

Strategic Proposition

Our strategy reflects our response plan in the short, medium and long term, by setting goals and objectives and explaining how we aim to succeed. In 2020, we focused on achieving the following strategic objectives under the 2017 - 2021 Strategic Plan:

Profitable and Sustainable Business
Aviation Security and Safety for Airport Users
Customer Service Excellence
Operational Excellence

Our Core Values

Integrity
Reliability and sustainability
Safety and security
Employee engagement
Innovativeness

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ACRONYMS

7NDP	Seventh National Development Plan
ACI	Airport Council International
AIP	Aeronautical Information Publication
ANS	Air Navigation Services
APS	Airport Services
ASQ	Airports' Service Quality
CAA	Civil Aviation Authority
CDC	Centre for Disease Control and Prevention
CMA	Continuous Monitoring Approach
CSR	Corporate Social Responsibility
GRZ	Government of the Republic of Zambia
HMNIA	Harry Mwaanga Nkumbula International Airport
IATA	International Air Transport Association
ICAO	International Civil Association Organisation
ILS	Instrument Landing System
KKIA	Kenneth Kaunda International Airport
MIA	Mfuwe International Airport
MOH	Ministry of Health
MTC	Ministry of Transport and Communications
PPE	Personal Protective Equipment
PSC	Passenger Service Charge
RFS	Rescue and Fire Services
SAA	South African Airways
SABS	South Africa Bureau of Standards
SMKIA	Simon Mwansa Kapwepwe International Airport
USAP	Universal Security Audit Programme
WHO	World Health Organisation
ZACL	Zambia Airports Corporation Limited
ZNPHI	Zambia National Public Health Institute

1.0 INTRODUCTION

1.1 About ZACL

Zambia Airports Corporation Limited (ZACL) is a Company limited by shares and registered under the Companies Act No. 10 of 2017 and wholly owned by the Government of the Republic of Zambia. The Corporation commenced operations 32 years ago on 11th September 1989.

ZACL contributes to sustainable development and industrialization by facilitating trade and tourism which in turn generate economic growth, create jobs and increase Government revenues from taxes.

The primary business activity for the Corporation is to develop, manage, maintain and operate a network of four (4) designated international airports, seven (07) provincial and three (03) strategic aerodromes and to provide air navigation services across the entire Zambian airspace.

Four (4) International Airports

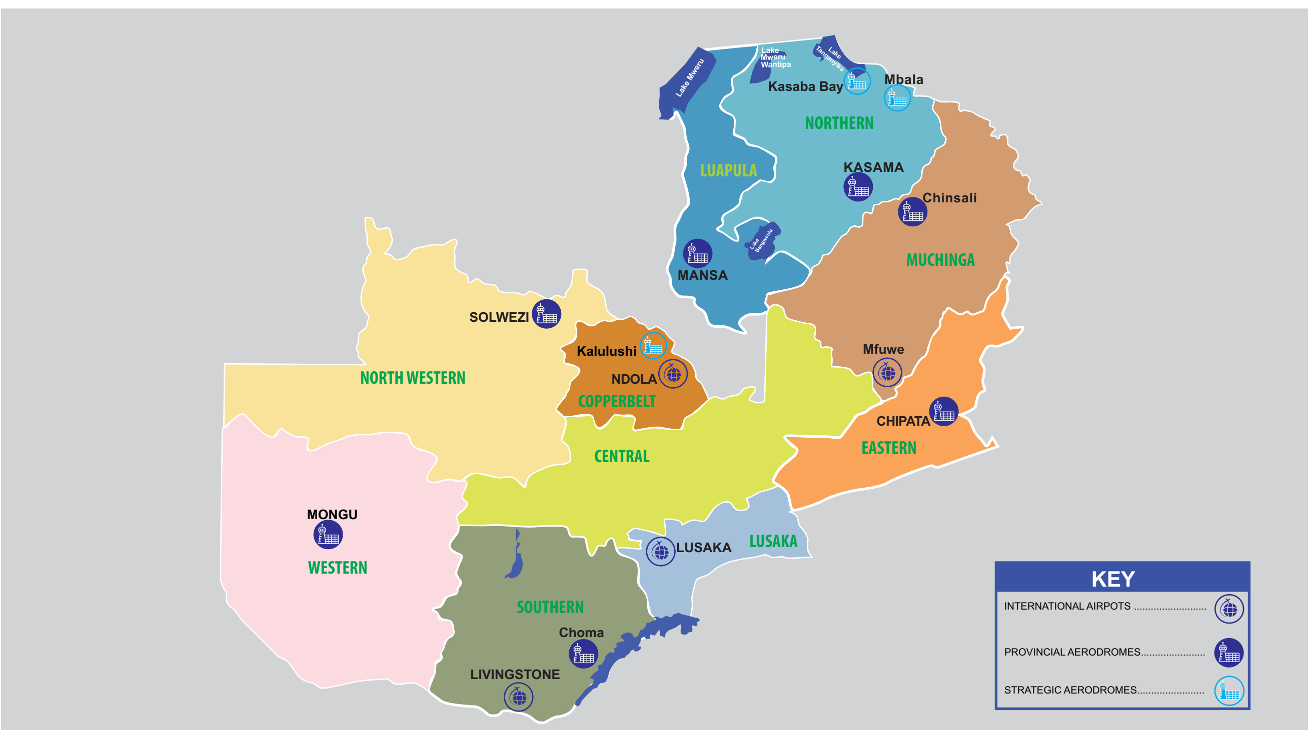
1) Kenneth Kaunda International Airport - KKIA (Lusaka),
2) Harry Mwaanga Nkumbula International Airport - HMNIA (Livingstone),
3) Simon Mwansa Kapwepwe International Airport - SMKIA (Ndola)
4) Mfuwe International Airport - MIA (Mfuwe)

Three (3) Strategic Aerodromes

1) Kasaba Bay
2) Mbala
3) Southdowns (Kalulushi)

Seven (7) Provincial Aerodromes

1) Chipata
2) Chinsali
3) Choma
4) Kasama
5) Mansa
6) Mongu
7) Solwezi



The Corporation is structured into four Directorates namely: Corporate Head Office, Airport Services, Commercial Services and Air Navigation Services. The Corporate Head Office consists of five departments namely: Managing Director's Office, Legal and Administration, Human Resources, Finance, and Corporate Planning and Strategy.

1.2 Zambia Aviation Statistics

Committed To Providing A Consistent And Quality Service
4 International airports
3 Strategic aerodromes
7 Provincial aerodromes
ISO9001 : 2015 Certified

545,884 Passengers safely facilitated in 2020
25,012 Aircrafts movements facilitated in 2020
8,971 Overflights in 2020

Key Statistics in the Last 5 Years:

7,656,421 Passenger movements
248,978 Aircraft movements
83,196 Overflights

Corporation's Success Highly Depends on its Human Capital
986 Employees in 2020. No employee lost their job due to the COVID-19 pandemic.

Committed to Ensuring Safety and Security to Passengers and Aircraft as First Priority

Our Auditors
Grant Thornton

Our Bankers

absa

Stanbic Bank

Standard Chartered

zanaco

Co-Operating Partners
European Union - 11th EDF

BOARD OF DIRECTORS

Mr. Milingo Lungu
Chairperson

Ms. Prisca Mwansa Chikwashi
Vice Chairperson

Mr. Moonga Mumba
Member

Mr. Fumu Mondoloka
Managing Director

Ms. Patricia Pakatamanja Zimba
Member

Mr. Mukuli Chikuba
Member
(Retired September 2020)

Mr. Sunday Chanda
Member

Mr. Charles Mushota
Member
(Retired September 2020)

Mr. Mulele Maketo Mulele
Member
(Appointed October 2020)

Mr. Clive Khan
Member
(Appointed October 2020)

Mr. Nicholas Chikwenya
Member
(Retired September 2020)

Mrs. Irene Tembo
Member

MANAGEMENT

Mr. Fumu Mondoloka
Managing Director

Mrs. Maggie B. Kaunda
Corporation Secretary

Ms. Gillian Mazimba
Director Finance
(Appointed April 2020)

Mr. Cosam Ngoma
Director Strategy and Corporate Planning
(Appointed September 2020)

Mr. Gilford Malenji
Director Strategy and Corporate Planning
(Retired August 2020)

Mr. Azzaam Bvulani
Director Airport Services

Mr. Ariel Phiri
Director Air Navigation Services
(Appointed April 2020)

Mr. Martin Chasha
Director Human Resource

Mr. Brian Chintu
Director Commercial Services

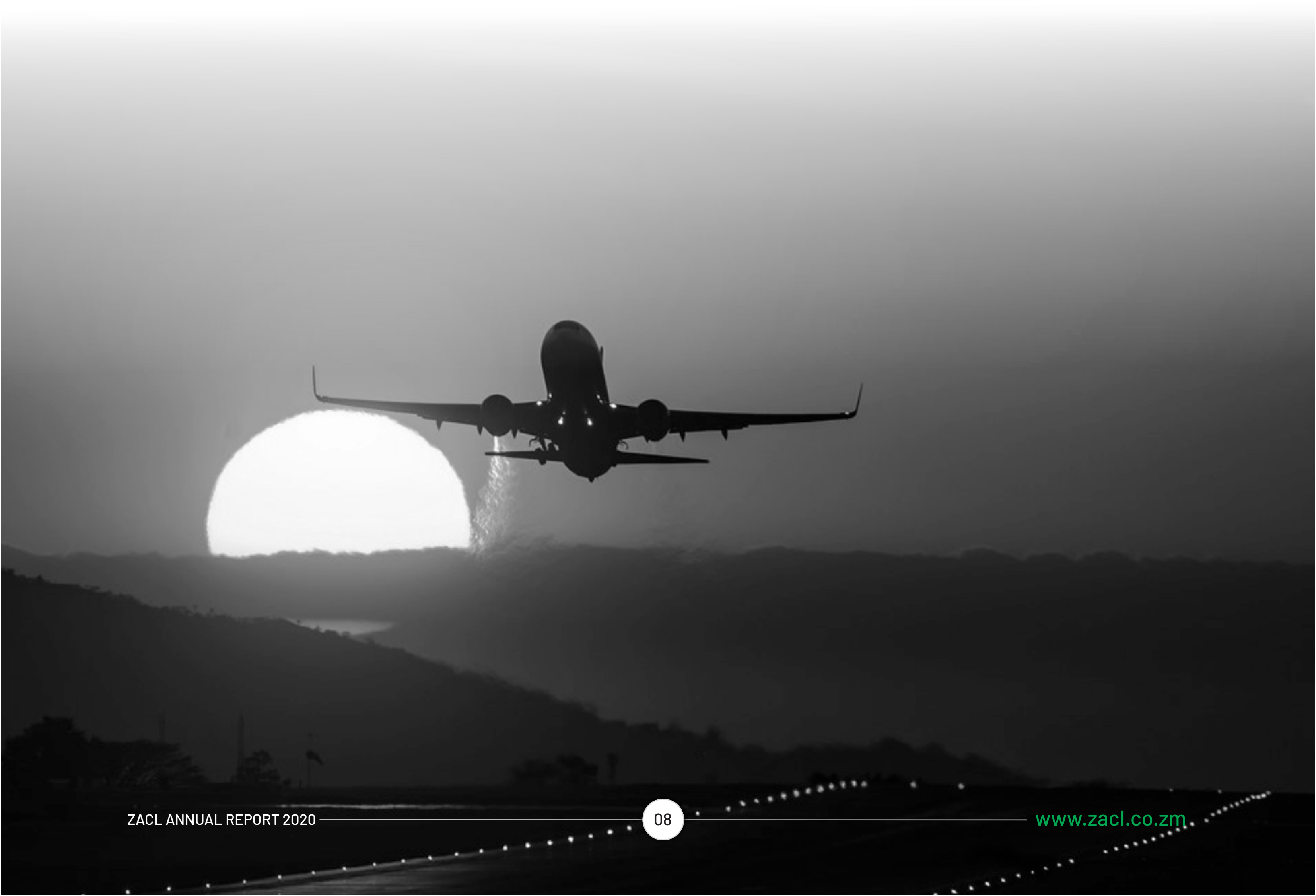
AIRPORT MANAGERS

Friday M. Mulenga
Kenneth Kaunda International Airport

Mr. Joseph Mumbi
Simon Mwansa Kapwepwe International Airport

Mr. Vivian M. Sikanyeela
Harry Mwaanga Nkumbula International Airport

Mr. Augustine M. Chalwe
Mfuwe International Airport




EXPO
2020

2.0 2020 IN REVIEW

2.1 Statement by the Board Chairperson

Mr. Milingo Lungu

Board Chairperson's Statement

It is with great pleasure that I present the Corporation's Annual Report for the year ended 31st December 2020. The year 2020 marked the fourth year of implementation of the 2017-2021 Strategic Plan in which the Corporation aspired to attain several strategic objectives set therein. The year, however, was characterised by difficult economic and market conditions caused by the COVID-19 pandemic and this had a negative impact on cash flows and implementation of key strategic initiatives and projects.

In April 2020, the Board of Directors approved an amended Corporate Plan with survival measures aimed at ensuring that the Corporation stayed afloat during the slow down period. The key focus had been on survival through revenue maximization and cost optimisation. Specifically, this meant a downward adjustment of 2020 targets for key aviation business parameters such as revenue and passenger numbers.

The Corporation's strategic goals continue to be anchored on the National Transport Policy and the Seventh National Development Plan (7NDP) which identifies the transport sector as an enabler for the continued diversification of the economy through the promotion of trade and tourism.

In the year under review, the Corporation continued implementing existing Government policy pronouncements such as the transformation of KKIA into a regional passenger and cargo hub through on-going infrastructure projects.

Impact of COVID-19 on Global Economy

The COVID-19 pandemic had an acute impact on the global economy in 2020. COVID-19 has surpassed all previous crises in the air transport sector, particularly with its impact on the global economy. According to the World Banks' Global Economic Prospects Report, the global economy contracted by 4.3% in 2020. Output in the Sub-Saharan Africa region contracted by an estimated 3.7% in 2020, as the COVID-19 pandemic and associated lockdowns disrupted economic activity. As a result, per capita income shrank by 6.1% in 2020, setting average living standards back by at least a decade in a quarter of Sub-Saharan African economies.

With nearly 100% of all worldwide tourists' destinations having introduced travel restrictions, the tourism sector was worst affected by the pandemic.

At domestic level, Livingstone, Zambia's tourism centre, was the hardest hit owing to its dependence on tourism.

Presidential directives on the temporary closure of three international airports in March 2020 which re-opened in June 2020, except for KKIA were implemented as a direct response to containing the spread of COVID-19. Closely related to this was the halting of flights to Zambia by international carriers to control the spread of the pandemic. It should be noted however, that these measures took a toll on the operations of the Corporation as traffic volumes were significantly reduced at the height of the COVID-19 pandemic.

Business Performance

Arising from the foregoing, the Corporation experienced a sharp downturn in passenger numbers in 2020. An all-time low paying passenger figure since 1990 was recorded with April 2020 being the worst at 653. Domestic passenger numbers were also impacted by the depreciation of the Kwacha against the US Dollar from K14.4/USD in January to K20.6/USD in December resulting in expensive air fares in Kwacha terms.

Growing the non-aeronautical income to 15% of total income by year 2021 and beyond remains a priority for the Corporation. This is to rebalance the Corporation's revenue portfolio giving it better ability to mitigate the external shocks to which aeronautical income is susceptible. Our on-going investment projects in commercial infrastructure and related activities such as the cargo terminal facility, hotels, shopping mall, and the new terminal facilities are expected to be fully operational by quarter three of 2021.

The total revenue generated by the Corporation amounted to K270million (USD13.12million) compared to K591million (USD42.4million) in the prior financial year. Loss before tax was K254.5million compared to a profit before tax of K114.3million achieved in 2019.

In terms of passenger numbers, a total of 545,884 terminated at all the airports compared to 1,850,715 in 2019, representing a 70.5% decline. Out of the total passenger numbers, domestic passengers accounted for 22.7% whilst 77.3% were international passengers.

Capacity Expansion Projects

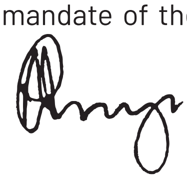
Investment in modern equipment and infrastructure is cardinal if the Corporation is to meet stakeholders' values and profitably contribute to national economic development. Airport infrastructure development equipment modernisation were affected by the COVID-19 pandemic leading to delays and revisions in completion dates. At year end, the new KKIA Terminal was at 90% complete while the New SMKIA was at 86.7%. Both airport infrastructures were earmarked to be handed over and commissioned by the end of quarter 3, 2021. The Corporation is investing in modern equipment to position itself as a regional passenger and cargo hub capable of handling increased traffic. An Instrument Landing System (ILS) was successfully installed and commissioned at KKIA in 2020.

Navigating the Future

The pandemic, which emerged at the beginning of 2020 as a global public health matter, has now evolved and continues to evolve into a global economic crisis. A full recovery to pre-COVID levels of business activity was estimated at approximately four years by ACI. We anticipate that business travel will recover faster than leisure travel, albeit at permanently lower levels given advancements in technology and effects of the new normal. We further expect the impact of the COVID-19 on our operations to reduce as the world adapts to the "new normal" and as vaccines are distributed across the globe and this is expected to improve passenger numbers and revenue going into 2021 and beyond.

As the Board, we continue to provide strategic oversight on the implementation of the Corporation's Strategic Plan. We remain optimistic about the future despite the pandemic because of the recovery initiatives we have instituted. Happily, we are in the process of developing the 2020 - 2026 Strategic Plan. We are ready to pursue opportunities and maintain the trajectory for future success.

I express my sincere gratitude to the Government as shareholder for the continued support. I would also like to thank Management and Staff for the continued commitment in discharging the mandate of the Corporation despite setbacks.



Milingo Lungu
BOARD CHAIRPERSON

2.2 Managing Director's Overview

Mr. Fumu Mondoloka

Managing Director's Overview

Our journey towards achieving our set strategic objectives in the year 2020 started with enthusiasm and many bold plans. The focus of the Corporation was largely on completing the on-going infrastructure projects at Kenneth Kaunda International Airport in Lusaka and Simon Mwansa Kapwepwe International Airport in Ndola.

Growing non-aeronautical revenue, improving safety and security systems, and human capital development were also top of our agenda as we had planned to continue implementing the 2017 - 2021 Strategic Plan. Strategic focus areas were:

(1) To provide high quality airport services that satisfy the expectations of our stake holders;
(2) To provide safe, efficient, reliable and expeditious air navigation services that satisfy the expectations of our stakeholders;
(3) To be a provider of suitable infrastructure that supports quality service delivery;
(4) To achieve sound financial returns that promote a commercially viable entity;
(5) To positively contribute to our social & national economic development; and
(6) To be the employer of choice in the Aviation Industry.

Some of the key projections for the year were to increase revenue from K591 million in 2019 to K736 million in 2020. A significant proportion of the proceeds in 2020 would go towards operationalising the new KKIA terminal and acquisition of new air navigation equipment to expand coverage of the Zambian airspace.

The completion of the new terminal at KKIA was envisioned to aid the Corporation set in motion one of its strategic priority areas of establishing KKIA into a regional passenger and cargo hub. This is in line with the National Transport Policy to which we are aligned as an airport company.

Unfortunately, things did not go to plan as we were hit with a global pandemic which affected not only lives but also livelihoods across the globe. The pandemic disrupted the way people travel and do business. Clearly, these disruptive global shifts brought about by the pandemic had an unprecedented and unexpected impact on our ability as a Corporation to execute our strategy, forcing us to adapt and come to grips with the "new normal".

Focused on Survival and Sustaining Operations

As a result of the pandemic, the Corporation revised its 2020 Corporate Plan and Scorecard to conform to the "new normal" and focus on surviving and sustaining operations by ensuring that all the four International Airports remained operational at the very least. To this end, we revised our 2020 annual targets and drawing from the 2017-2021 Strategic Plan the Corporation focused on the need to stay afloat and navigate the economic storm.

Despite challenges, we delivered on some of the key strategic objectives and the most important of them all was the Corporation's survival.

Stakeholder Engagement

As a Corporation, we value our various stakeholders and managing their expectations is high on our agenda. To this effect we held our annual stakeholders meeting in March 2020 with the objective of addressing any concerns with respect to our service provision. We also sought to obtain insights to add value to the business including process improvements. The stakeholders meeting was attended by over 50 stakeholders and these included Zambia Civil Aviation Authority, Zambia Tourism Agency, Livingstone Tourism Association, Airlines and tenants among others. We reported back to our stakeholders on what the Corporation had achieved in addressing the issues raised at the previous year's meeting. Some of the issues included the poor state of the road to the private hangars which has since been paved; finalisation of the Aeronautical Information Publication (AIP) was ongoing and expected to be completed in 2021. Further, with respect to improving our customer service, we did report that a training in customer service to equip ZACL staff with necessary skills had been completed.

Corporate Social Responsibility

ZACL strives to live by the tenets of a good corporate citizen. Despite our severely strained cash flows in 2020, we contributed K388,395.00 towards Corporate Social Responsibility (CSR) to various activities in our two focus areas namely Education for Orphans and Vulnerable Children, and Health through Water and Sanitation.

2021 Industry Outlook

The year 2020 has seen us witness great losses, unforeseen changes to the way we conduct our business, and it certainly has been a year of deep reflection on an individual as well as corporate level. We have had to learn to adapt to the "new normal" and reposition our goals for the future. As a Corporation, we remain undeterred in our resolve to achieve our strategic goals. With the world and the aviation industry coming to grips with the COVID-19 pandemic, we are confident that we will navigate through the turbulence and stay afloat in 2021 especially as more airlines resume operations.

My utmost appreciation goes to the Board of Directors for the strategic guidance provided during the most challenging year in the history of the Corporation. I wish to also thank the Ministry of Transport and Communications for the support rendered and indeed to Management and Staff for the tireless effort and immense sacrifice as they contributed towards achieving the milestones recorded by the Corporation.

Fumu Mondoloka
MANAGING DIRECTOR

2.3 Managing through crisis: The New Normal

From the very first month of 2020, disruptive global shifts due to the COVID-19 pandemic engulfed the world and have had an unforeseen and unprecedented impact on our operations. This greatly impaired our ability to execute our strategy for the better half of the year, forcing us to come to terms with what has become to be known as the "new normal". To survive this challenging time, short-term survival strategies were mooted and executed considering the new realities of COVID-19 pandemic, resulting in a fundamentally new strategic thrust for 2020. From capacity expansion for both airport and air navigation infrastructure, pre-COVID-19, to surviving and sustaining operations, post - COVID-19 pandemic.

As the only airport operator in Zambia, we played pivotal role in preventing the spread of the COVID-19 pandemic and flattening the curve of infection numbers. In line with the guidelines issued by the ICAO, IATA, ACI, ZNPHI, and the World Health Organisation, we instituted the following specific measures:

(1) Set up screening and hand sanitising stations for all travelers and persons at all airports;

(2) Conducted mass screening exercises at International Airports jointly organised with Ministry of Health;

(3) We provided free PPE, hand washing facilities, and hand sanitisers to all staff;

(4) We implemented a staff rotation scheme and sent some staff on paid leave to reduce risk of exposure and respond to reduced operations;

(5) A series of awareness meetings were held at all four International Airports in COVID-19 infection prevention;

(6) We provided temporary quarantine areas for suspected COVID-19 cases;

(7) Regularly updated the airport community with COVID-19 information as received from health authorities; and

(8) Sponsored our staff in infection prevention and control of COVID-19 at points of entry.

Commercial

The economic and health challenges we faced did not undermine our pledge to transforming ZACL into a commercially viable entity.

To prevent regression in the progress achieved pre - COVID-19, we revised 2020 budget projections and heightened monitoring, evaluation and reporting of Corporate scorecard performance targets with the view of achieving more with less. With these budgetary revisions, financial plans were anchored on optimising operating costs, maximising debt collection, and tightening treasury management and resource allocation. We continued with legacy debt collection efforts and growing non-aeronautical revenue to the extent that 12% of total revenue was non-aeronautical.

Airport Operations

The new normal challenged how our airports should be operated, and this was expected to remain one of our key strategic focus areas as we recover from the pandemic, till a few years from now. Our new approach to operating airports was by improving operational efficiencies, rebuilding passenger confidence, adjusting tenant rental obligations while complying with health guidelines issued by WHO and MOH. At all times we prioritized the health of staff, passengers, stakeholders and airport players.

Infrastructure Developments

With reduced demand in the short to medium term, developmental focus towards innovation, alignment, integration, replication of successful developments, and repurposing the existing commercial infrastructure. We prioritized our capital expenditure programmes in line with affordability.

2021 Outlook: "Forward thrust amidst a storm"

In trying times such as these, the importance of our stakeholder relationships and regular communication cannot be overemphasized. "Forward thrust amidst a storm", was the fitting theme for our 2021 Stakeholder Forum held under the new normal. We know that in this time what we do and how we communicate with our stakeholders is of paramount importance. While confronting this new normal is unnerving, we will continue to execute our strategic response to the COVID-19 pandemic by implementing take-off plans with collaborative efforts from co-operating partners and other stakeholders. We desire to restore trust among our travelling population, ensuring employees' well-being, stimulating demand, and continuing to create value for our shareholder, society at large and the environment.

3.0 CORPORATE GOVERNANCE

3.1 Statement on Governance

We are committed to continually enhance our corporate governance structures and processes in line with best practice in a manner that facilitates the development, maintenance and operation of airports and air navigation services for the creation of shareholders' value. Further, the Corporation aspires to be a model of public probity by providing a good return on national strategic assets and promoting high standards of integrity.

3.2 Strategy, Performance and Reporting

Our Board takes full accountability for the performance of the Corporation. In so doing, the Board supports Executive Management in setting our purpose and achieving our strategic objectives. The Board continuously monitors the macro environment, risks and opportunities and stakeholder needs, which inform our strategy.

The Corporation continuously strives to improve reporting standards through full disclosures in alignment to relevant reporting frameworks and best practice. We seek to provide investors and other stakeholders with all relevant and material information.

3.3 Governance Structures and Delegation

The Board is the focal point of and custodian for corporate governance within the Corporation. The members of the Board include nine (09) Non-executive Directors and one (01) Executive Director who is also the Managing Director, with an appropriate balance of knowledge, skills, and experience and diversity and independence. This allows our Board to discharge its governance role and responsibilities objectively and effectively. All Board members are suitably qualified for their roles and have extensive experience and skills across a range of sectors, including aviation, business management, engineering, accounting, legal matters, governance, and human resources. Open and honest dialogue that test decisions, brings consensus and necessitates responsibility is encouraged. In compliance with Corporate Governance best practice, the role and responsibilities of the Non-executive Chairman and the Managing Director have been clearly defined and are separated to ensure checks and balances in decision making. Further, there is a clear balance of power and authority at the Board level to ensure that no one Director has unfettered powers of decision-making, as Board members draw from their diverse and vast pool of experiences for differing viewpoints.

The Board delegates certain functions to three (03) well-structured Board sub-committees without abdicating its own responsibilities. The Committees are:

(1) Audit, Risk and Compliance Committee

The Committee assists the Board of Directors in fulfilling its oversight responsibilities for the strategic planning, financial reporting, risk management, systems of internal control, performance monitoring and evaluation, internal and external auditing processes, and maintenance of compliance with laws and regulations.

(2) Finance and Capital Projects Committee

The Committee assists in delivering its oversight responsibilities for the budgeting process, setting financial goals, mobilising resources, managing the capital structure, reviewing capital expenditures, investments and business development.

(3) Appointments, Remuneration and Human Relations Committee
The Committee assists the Board of Directors in fulfilling its oversight responsibilities for policy direction on appointments, remuneration, human relations and consequent administrative policies.

Each committee's terms of reference define the composition of the committee and set out its duties, responsibilities and the scope of delegated authority.

3.4 Board Performance Evaluation

The Board reflected on its performance through an internal self-assessment, facilitated by the Director Corporate Strategy and Planning in liaison with the Corporation Secretary. The areas which have been rated as requiring improvement pertain to resource mobilization and management of stakeholder relationships. This is more pertinent in light of the impact of COVID-19 on our business and the aviation sector at large.

3.5 Stakeholder Relationships

Our Board ensures a stakeholder-inclusive approach. Our stakeholder management activities support our vision and strategic objectives of helping build coherent partnerships that are mutually beneficial for the Corporation and our stakeholders.

3.6 Board and Committee Meetings

The Board had four (4) scheduled Meetings and 6 Special Meetings held during the year, the attendance was as follows:

Name	Meetings Attended		Total No. of Meetings Attended
	Scheduled	Special	
Mr. Milingo Lungu - Board Chairperson	4	6	10
Ms. Prisca Mwansa Chikwashi – Vice Chairperson	4	6	10
Mr. Moonga Mumba	4	6	10
Mr. Sunday Chanda	3	6	9
Ms. Patricia Pakatamanja Zimba	4	6	10
Mr. Charles Mushota (Retired September 2020)	3	4	7
Mr. Mukuli Chikuba (Retired September 2020)	4	5	9
Mr. Nicholas Chikwenya (Retired September 2020)	3	5	8
Mr. Fumu Mondoloka – Managing Director ZACL	4	6	10
Mr. Mulele Maketo Mulele (Appointed October 2020)	1	1	2
Mr. Clive Khan (Appointed October 2020)	1	1	2
Mrs. Irene Tembo (Appointed October 2020)	1	1	1

Audit, Risk and Compliance Committee

Membership and Attendance

There were 4 scheduled meetings and 1 special meetings for the year which were attended as follows:

Finance and Capital Projects Committee

Name	Meetings Attended		Total No. of Meetings Attended
	Scheduled	Special	
Mr. Moonga Mumba- Chairperson	4	1	5
Mr. Paul Chintu	4	1	5
Mr. Job Lusanso	4	1	5
Ms. Patricia Pakatamanja Zimba	4	1	5
Mr. Conwell Fungai Musana	4	1	5

Membership and attendance

There were 4 scheduled meetings and 3 Special Meetings during the year which were attended as follows:

Name	Meetings Attended		Total No. of Meetings Attended
	Scheduled	Special	
Mr. Charles Mushota - Chairperson (Retired September 2020)	2	2	4
Mr. Richard John Ndhlovu	3	2	5
Mr. Mukuli Chikuba (Retired September 2020)	3	1	4
Mr. Fumu Mondoloka - Managing Director ZACL	4	3	7
Mr. Mulele Maketo Mulele - Chairperson (Appointed October 2020)	1	1	2
Mr. Clive Khan (Appointed October 2020)	1	1	2
Mrs. Irene Tembo (Appointed October 2020)	1	1	2

Appointments, Remuneration and Human Relations Committee

Membership and attendance

There were 4 scheduled meetings and 6 Special Meetings for the year which were attended as follows:

Name	Meetings Attended		Total No. of Meetings Attended
	Scheduled	Special	
Ms. Prisca Mwansa Chikwashi – Chairperson	4	3	7
Mr. Sunday Chanda	4	3	7
Mr. Nicholas Chikwenya (Retired September 2020)	3	3	6
Mr. Thomas Matandala	4	3	7
Mr. Moffat Nyirenda	4	2	6
Mr. Fumu Mondoloka – MD ZACL	4	3	7

4.0 PERFORMANCE OF THE AVIATION SECTOR

4.1 Global Aviation Performance

The Aviation industry faced one of its worst performances in recent history with the outbreak of the COVID-19 pandemic. While the aviation industry has always braced itself for such eventualities, the scale and spread of the pandemic was far from prediction and is the largest shock to the aviation industry since Second World War II. According to the International Airlines Travel Association (IATA), the airline industry experienced in excess of USD118 billion of losses in 2020 from a position of profits of just under USD26billion in 2019. Further, according to the Airports Council International (ACI), the impact of the COVID-19 crisis on airport revenues was unprecedented, reducing close to USD125 billion from airport revenues in 2020. Domestic traffic is expected to return to pre-pandemic levels by 2023 while international traffic by 2024.

The ICAO Economic Impact Analysis of COVID-19 indicates that international passenger traffic suffered a dramatic 60% drop over 2020, bringing air travel totals back to 2003 levels. ICAO further reports that as seat capacity fell by 50% in 2020, passenger totals dropped by 60 per cent with just 1.8 billion passengers taking to the air, compared to 4.5 billion in 2019.

It should be noted however, that in as much as the whole aviation sector was negatively impacted by the COVID-19 pandemic, the air cargo business remained strong. For many airlines revenue from cargo became an important source of income. Cargo tonne kilometers (CTKs) fell by only 10.6% against the pre-COVID-19 levels, demonstrating that air cargo is predominantly not a vector of outbreaks such as COVID-19.

4.2 Regional Aviation Performance

The regional performance of the aviation industry with close connectivity with Africa and having an impact on Zambia's aviation sector for period under review, is analysed below:

a) European carriers saw a 73.7% traffic decline in 2020 compared to 2019. Capacity fell by 66.3% and load factors decreased by 18.8 percentage points to 66.8%.

b) Middle Eastern airlines' saw a 72.9% traffic decline in 2020 compared to 2019. Capacity fell by 63.9% and load factors decreased by 18.9 percentage points to 57.3%.

c) African airlines saw a 68.8% traffic decline in 2020 compared to 2019. Capacity fell by 61.5%, and load factors decreased by 15.4 percentage points to 55.9%, lowest among regions. Africa's international market shrank the least amongst all regions last year due to relatively less stringent travel restrictions compared to the rest of the world.

4.3 Domestic Performance

The Zambia Civil Aviation Authority (ZCAA) of Zambia reported that an estimated USD5 million in revenue was lost in 2020 because of reduced business activities in the aviation sector in Zambia at the height of the COVID-19 pandemic. This was mainly attributed to the halting of flights to Zambia by international carriers as a measure to control the spread of the pandemic.

All passenger airlines suspended flights at the end of March 2020 until about June 2020. Airlines continued to operate cargo flights and charter flights to repatriate passengers stranded in lockdowns. A number of airlines returned but with reduced frequencies and in some cases smaller aircraft in order to adjust to the reduced passenger numbers.

The two local carriers, Proflight Zambia and Mahogany Air continued to dominate the domestic market. Global reduction in passenger numbers however had a spill over effect to the domestic market, coupled with the devaluation of the local currency against major convertible currencies such as the United States Dollar.

5.0 OPERATIONAL PERFORMANCE AND FINANCIAL OVERVIEW

5.1 Operational Performance

A total of 11 scheduled airlines operated at the four international airports and provincial aerodromes in the period under review and this included both passenger and cargo operations. A summary on operating airlines on a month-on-month basis is shown below:

Operational Airlines

Airlines	Routes	Jan -20	Feb -20	Mar -20	Apr-20	May -20	Jun-20	Jul-20	Aug-20	Sep -20	Oct -20	Nov -20	Dec -20
Ethiopian Airlines PAX	HRE/ADD/LUN/NLA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ethiopian Airlines Freighter	HRE/ADD/LUN/NLA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kenya Airways PAX	HRE/NBO/LLW/LUN/LVI/NLA	✓	✓	✓	×	×	×	×	✓	✓	✓	✓	✓
Kenya Airways Freighter	HRE/NBO/LLW/LUN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
RwandAir	KGL/LUN	✓	✓	✓	×	×	×	✓	✓	✓	✓	✓	✓
World Cargo	LGG/JNB/LUN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Emirates	HRE/DXB/LUN	✓	✓	✓	×	×	✓	×	×	✓	✓	✓	✓
Proflight Domestic	NLA/LVI/SLI/MFU/LUN	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓
Proflight International	JNB/LUN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mahogany	NLA/LUN	✓	✓	✓	×	×	✓	✓	✓	✓	✓	✓	✓
Airlink PTY Limited	NLA/LUN/JNB	✓	✓	✓	×	×	×	×	×	×	✓	✓	✓
Air Tanzania	DAR/LUN	✓	✓	✓	×	×	×	×	×	×	✓	✓	✓
Air Botswana	GBE/LUN/HRE	×	×	×	×	×	×	×	×	×	×	×	✓
Royal Zambia Airlines	JNB/LUN	✓	✓	✓	×	×	×	×	×	×	×	×	✓

General Passengers

We facilitated a total of 545,884 general passengers through the four designated international airports and the ten provincial and strategic aerodromes. This represents a 69.8% decline compared to 2019 with 1,808,247 general passengers. General passengers include domestic and international passengers that arrived at, departed from, and transitioned through our airports. Domestic passenger movements declined by 64.4% from 123,818 passengers in 2019 to 347,690 in 2020. Similarly, international passenger movements declined by 71.1%, 422,066 passengers in 2020 compared to 1,460,557 in 2019.

Paying Passengers

The Corporation recorded 172,983 in total paying passengers in 2020 compared to 649,892 in 2019, representing a 73.4% decline.

Aircraft Movements

A total of 25,012 aircraft movements were recorded at the four designated international airports and ten provincial and strategic aerodromes. When compared to 2019 with 55,259 movements, this represented a 54.7% decline. Domestic aircraft movements declined by 49.3% from 30,741 in 2019 to 15,597 movements in 2020. Similarly, international aircraft movements declined by 61.6% to 9,415 movements in 2020 from 24,518 in 2019.

Overflights

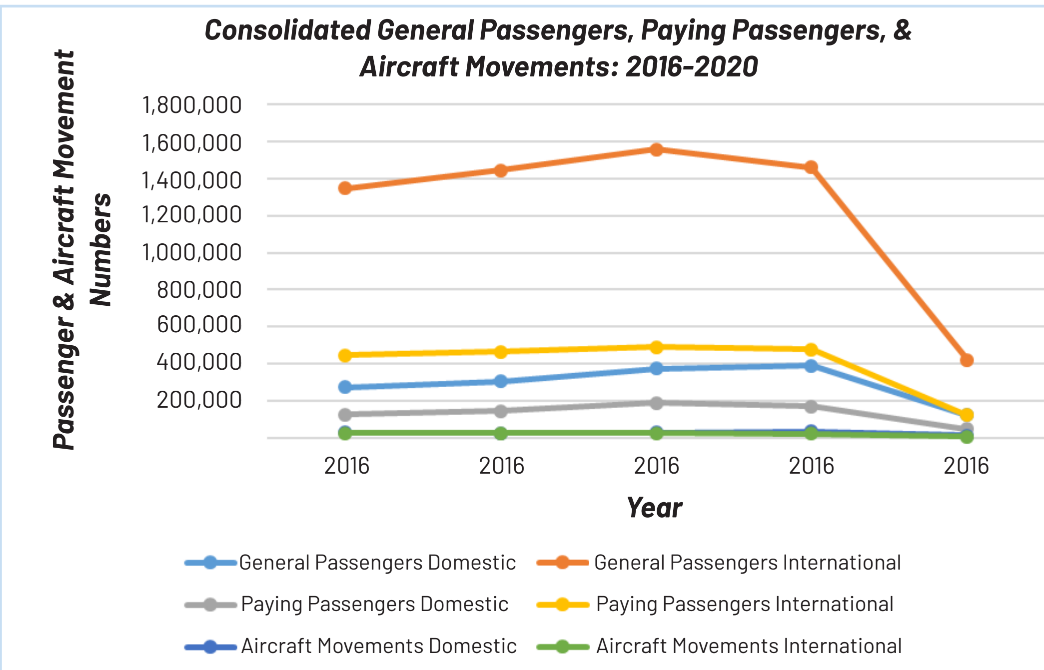
Overflights reduced from 20,304 in 2019 to 8,971 in 2020, representing a 55.8% decrease. The COVID-19 pandemic affected most airlines which fly over the Zambian airspace such as Deutsche Lufthansa, British Airways, Korean Air, Ryanair, Easy Jet, Norwegian Air and American Airlines Qantas.

The table below depicts trends in general passengers, paying passengers, and aircraft movements in the last five years.

CONSOLIDATED							
	General Passengers		Paying Passengers		Aircraft Movements		Overflights
Year	Domestic	International	Domestic	International	Domestic	International	
2016	274,344	1,347,919	126,431	445,653	31,042	27,383	16,798
2017	305,115	1,443,085	145,071	467,204	28,312	25,375	17,884
2018	374,479	1,557,348	188,521	492,444	31,132	25,463	19,239
2019	347,690	1,460,557	170,913	478,979	30,741	24,518	20,304
2020	123,818	422,066	49,713	123,270	15,597	9,415	8,971

General passengers, paying passengers and aircraft movements had been on an upward trajectory between 2016 and 2018. However, from 2019, passenger numbers and aircraft movements drastically reduced and this is attributed to the depreciation of the Kwacha against major foreign currencies such as the US Dollar and the effects of the COVID-19 on the aviation sector. The Kwacha depreciated from an average of K14.64/USD in 2019 to K20.6/USD at end 2020, making air fares expensive for domestic travellers.

A graphical presentation of the five-year trends is shown below:

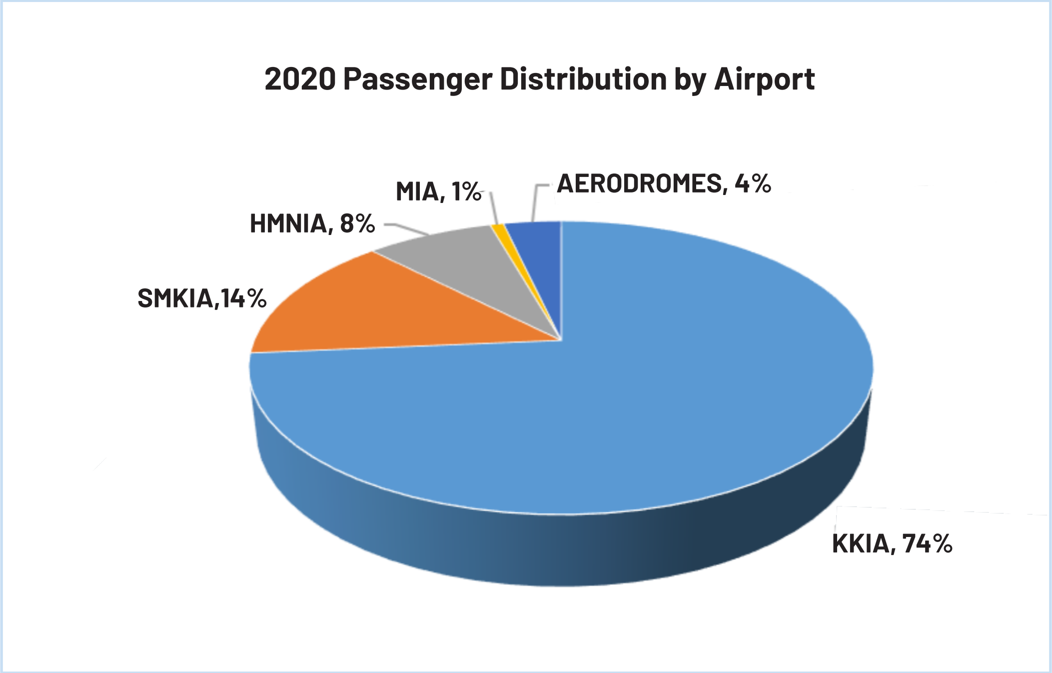


The graph above shows that passenger movements, paying passengers and aircraft movements were on an upward trajectory between 2016 and 2018 but began to reduce from 2019.

The contribution to general passenger movements, paying passengers and aircraft movements by each airport in the period under review was follows:

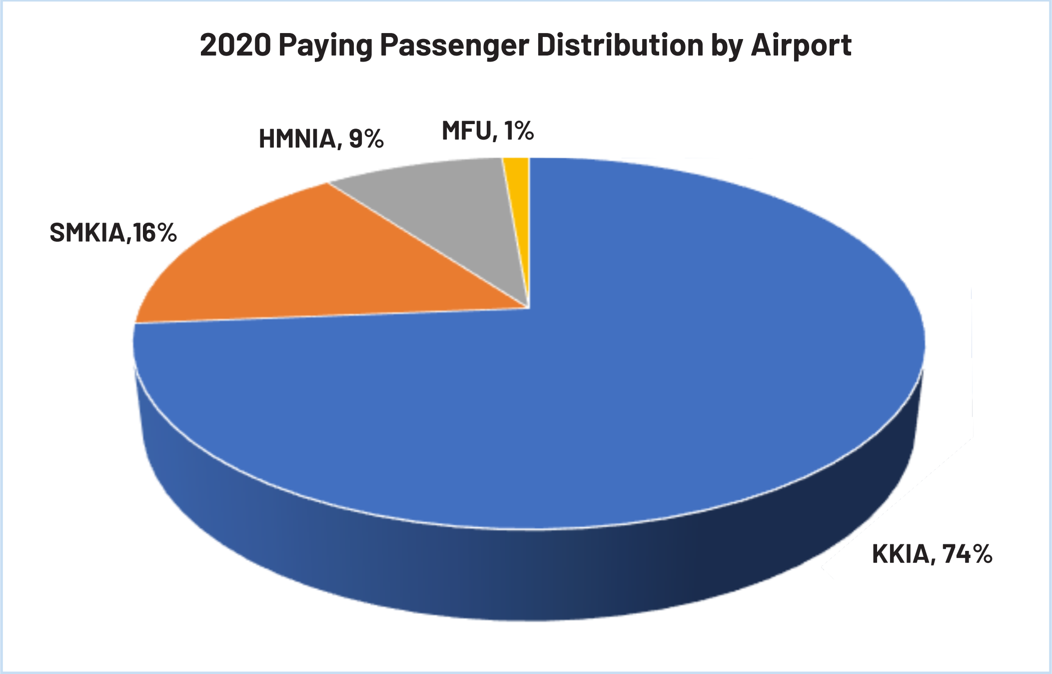
Airport General Passenger Movement Contribution

Kenneth Kaunda International Airport accounted for 74% of total general passenger movements. Simon Mwansa Kapwepwe International Airport, Harry Mwaanga Nkumbula International Airport, and Mfuwe International Airport accounted for 14%, 8% and 1%, respectively. The provincial and strategic aerodromes accounted for the remaining 4%.



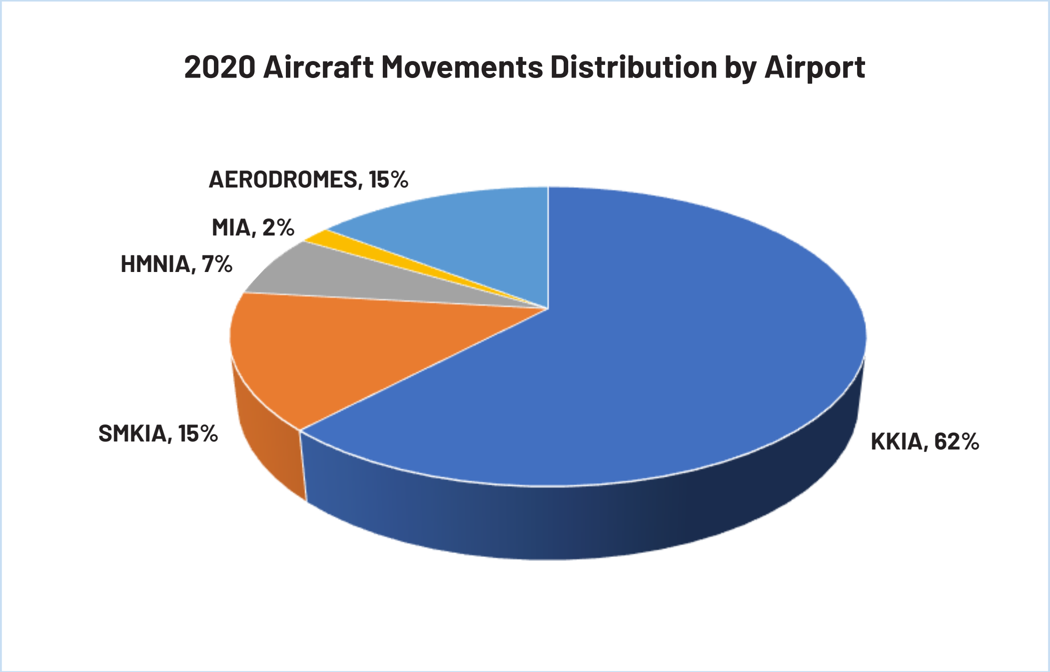
Airport Paying Passenger Contribution

Kenneth Kaunda International Airport accounted for 74% of paying passengers. Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe International Airports accounted for 16%, 9% and 1%, respectively.



Airport Aircraft Movement Contribution

Being the main gateway into the country, Kenneth Kaunda International Airport handled the largest number of aircraft movements. The airport handled 62% of total aircraft movements. Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula, and Mfuwe International Airports handled 15%, 7% and 2% respectively while provincial and strategic aerodromes accounted for 15%. HMNIA and MIA contributed the least to aircraft movements due to their dependence on tourism related travel. Cities heavily dependent on travel and tourism were the hardest hit by the impacts of COVID-19 on aviation.



Cargo Movements

A total of 17,906,705.08 kilograms of cargo and mail were recorded in 2020 compared to 22,046,416.35 kilograms recorded in 2019, representing a 19% decline. This is attributed to cancellations of SAA Cargo operations (under business rescue), continued suspension of Martin Air flights into KKIA and reduced domestic demand. Over 90% of the cargo was handled at KKIA by operators such as ZEGA, NAC 2000, Hill & Delamain etc.

Year	Cargo (KGs)	Mail (KGs)	Total	% Movement
2016	18,772,421.64	313,823.00	19,086,244.64	13%
2017	18,743,384.55	343,902.00	19,087,286.55	0.01%
2018	20,610,538.20	249,527.00	20,860,065.20	9%
2019	22,861,125.35	185,291.00	22,046,416.35	6%
2020	17,790,401.20	116,303.89	17,906,705.08	19%

Airlines uplifting this cargo from Kenneth Kaunda International Airport were Emirates Airlines, World Cargo, Ethiopian Airlines Cargo and Kenya Airways Cargo.

Retail Space Occupancy

One of the strategic objectives the Corporation was implementing in 2020 was growing non-aeronautical revenue to 15% of total revenue by end 2021. The expansion of ZACL's non-aeronautical business is driven by the aspirations to diversify and rebalance our revenue portfolio thereby building financial resilience. The desire to reduce dependency on aeronautical revenue is trending globally.

Occupancy of retail spaces was above 85% in the period under review. Nevertheless, due to reduced business activity at the airports, some tenants were provided with 50% discount for the period July to date for HMNIA while at other Airports it was on a case by case as part of the Corporation's COVID-19 relief measures for its tenants.

5.2 Financial Overview

The summary of financial performance during the year was as follows:

Revenue Performance

The Corporation achieved revenue of K269.7million during the year under review compared to K591 million in 2019, representing a decline of 54%. Revenue generated from airport services contributed 70%, air navigation services contributed 18% and commercial services contributed 12%.

In terms of revenue category, top contributors to revenue were the passenger service charge, ground handling, landing fees, rentals and aviation infrastructure fees contributing 20%, 18%, 16%, 10% and 9%, respectively. The summary of revenue achieved is shown below:

	2020	2019	% Movement
Air Navigation Services			
Overflight Fees	35,760,047	60,707,362	(41%)
Air Navigation Fees	13,487,364	23,611,824	(43%)
	49,247,411	**84,319,186**	(42%)
Airport Services			
Passenger Service Charges	53,997,331	169,687,521	(68%)
Security Charges	12,384,931	37,28 6,357	(67%)
Cute and Cuss	4,074,073	11,425,441	(64%)
Landing Fees	42,602,636	75,262,918	(43%)
Parking Fees	2,300,841	5,431,211	(58%)
Ground handling	49,409,898	101,569,393	(51%)
Aviation infrastructure fees	24,037,938	72,004,818	(67%)
	188,807,648	**472 ,667,659**	(60%)
Commercial Services			
Fuel Throughput fees	3,218,113	3,638,379	(12%)
Car Park	1,644,696	4,192,399	(61%)
Rentals	26,818,611	26,680,401	1%
	31,681,420	**34,511,179**	(-8%)
Total Revenue	**269,736,479**	**591,498,024**	**(-54%)**

Expenditure

Operating costs during the year amounted to K550.9 million compared to K514.2 million incurred in the previous year. This is attributed to the depreciation of the Kwacha which had an impact on unavoidable foreign denominated costs which are incurred by the corporation.

Nevertheless, kwacha denominated costs such as overtime, electricity, printing were contained as part of the survival measures implemented in the year.

	2020	2019	% Movement
Depreciation	81,061,869	47,180,636	72%
Staff and staff related Costs	294,953,577	278,625,717	6%
Other Operating Costs	174,911,493	188,372,949	7%
Total Operating Costs	**550,926,939**	**514,179,302**	**7%**

6.0 KEY INFRASTRUCTURE PROJECTS AND BUSINESS DEVELOPMENT

6.1 Kenneth Kaunda International Airport Upgrade Project

The overall project progress for the construction of the new terminal and other related facilities such as a hotel, cargo warehouse, RFS station at KKIA at a cost of USD 360million was at 90% as at 31st December 2020. The project which commenced on 21st April 2015 is expected to be completed in 2021.

6.2 Simon Mwansa Kapwepwe International Airport Construction Project

The overall project progress for the new airport infrastructure (green field) in Ndola at a cost of USD522million was at 86.7% at 31st December 2020. The project scope of works includes construction of a 1 million capacity international terminal building, a hotel, business complex, RFS Station, air traffic control tower etc. The project which commenced on 16th October 2017 is expected to be completed in May 2021.

6.3 Installation of Instrument Landing System (ILS) at KKIA

The new ILS at KKIA was successfully installed and commissioned, with flight check being conducted on 27th October 2020.

6.4 Zambia Aeronautical Information Publication (ZAIP)

Significant progress was made during the year with the procedure designs and charting having been completed. The installation of hardware was still underway and the project is expected to be completed in Q3 of 2021.

6.5 Implementation of the ATM Master Plan

The Corporation has acquired technical assistance from the EU-EDF11 under the aviation sector program to help generate an implementation plan for the Master Plan.

6.6 Radar Processor Upgrade

The Corporation has signed a maintenance program that will see an upgrade to radar processors to enable the implementation of SITA FANS1 communication facilities.

6.7 Incentives for New Carriers and Existing Airlines

The Corporation has continued to offer incentives to new carriers and existing airlines on new routes as approved by the Zambian Ministry of Transport and Communications. These include Landing and parking fees discounts in the initial phases of operations, Ground handling discounts in year 1, 2 & 3, Passenger Load factor-based discounts (higher volumes to benefit from handling discounts) and scrapping off Surcharge Fees at all airports.

6.8 Land-Use Plan

The first Master Plan was approved for execution. A Special Purpose Vehicle (SPV) concept whose objective is to manage the implementation of business development under the land use plan was approved and was yet to be incorporated at year end.

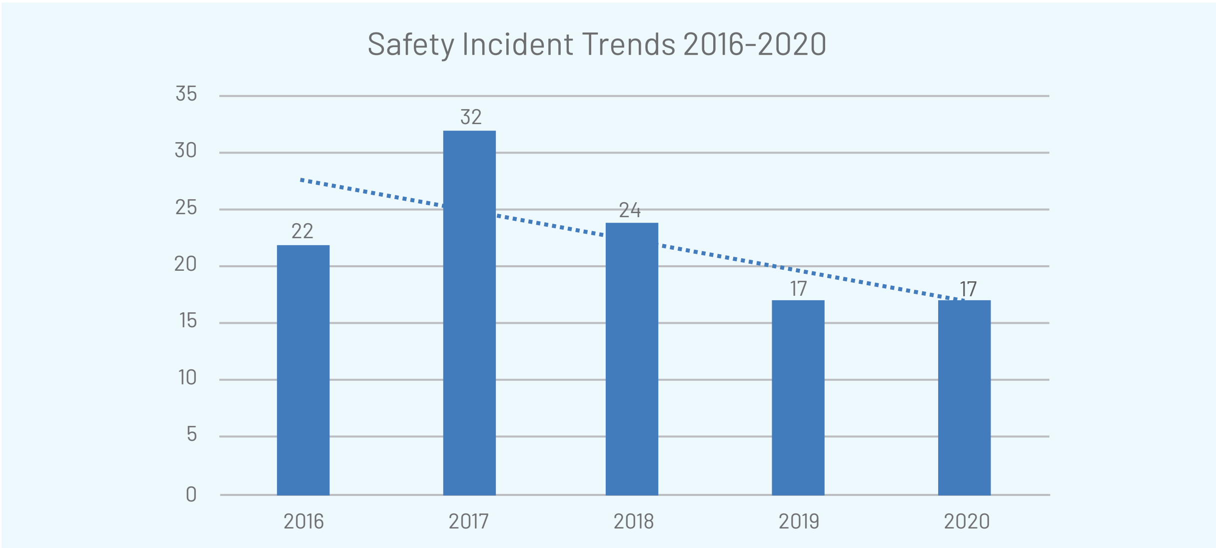
6.9 Management of Hotels

Management service agreements were signed with the Marriott Group franchised under Protea Hotels for the Kenneth Kaunda International Airport Hotel, while a management service agreement with Urban Hotels for the New Simon Mwansa Kapwepwe International Airport Hotel was expected to be signed in Quarter 1 of 2021 at year end.

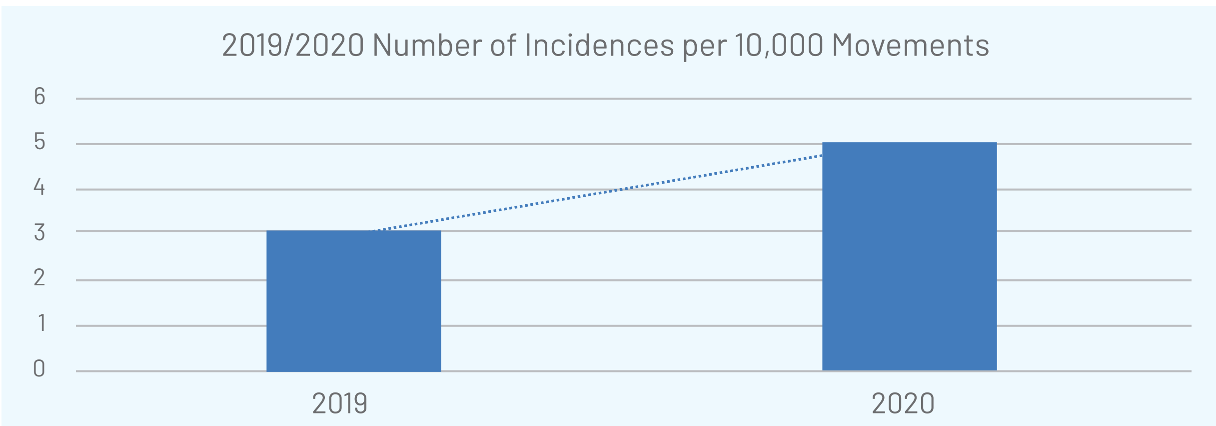
7.0 SAFETY, HEALTH, ENVIRONMENT AND QUALITY

7.1 Safety- Accidents and Incidents

Enhancement of aviation security and safety at all airports is not only one of the Corporation's strategic priorities but also a core value. To this end, the Corporation is committed to ensuring safety and security to passengers and aircraft as priority.



There has been a downward trend in safety incidents/accidents within the Corporation during a period of five years. However, 2020 recorded the same number of incidences as 2019. The trend can be alluded to equipment dormancy between March and July 2020 owing to the pandemic followed by a resumption of operations around August.

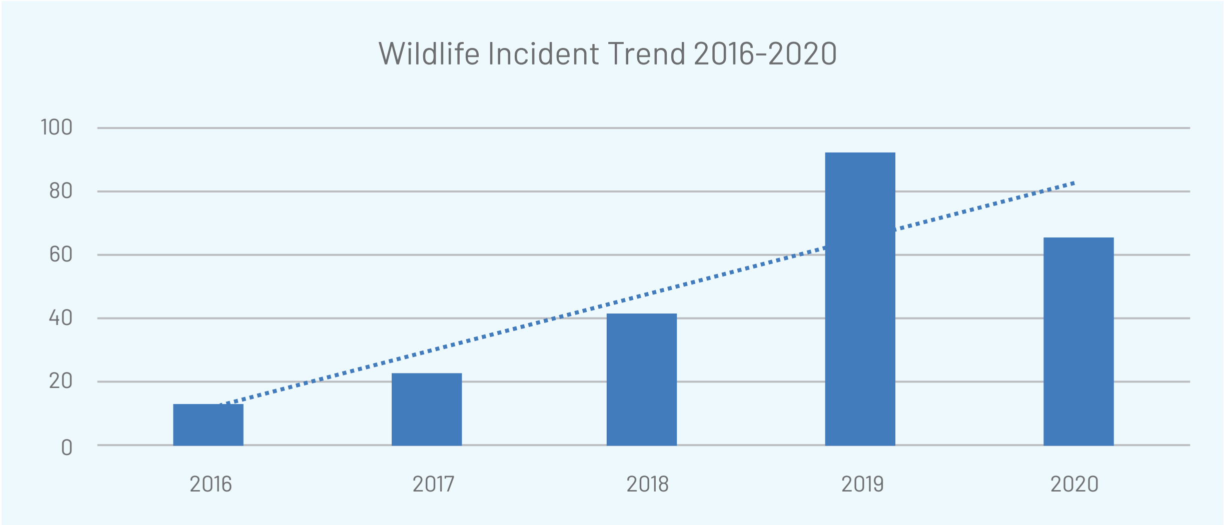


In the past 2 years safety measures have continued to be enhanced. These include:

1. Continuous implementation of Safety Management System (SMS) with a success in full implementation of pillar number 1 and 2.
2. Appointment of safety champions across the Corporation who are mandated to proactively identify hazards in operations.
3. Regular equipment serviceability checks and timely implementation of corrective action.

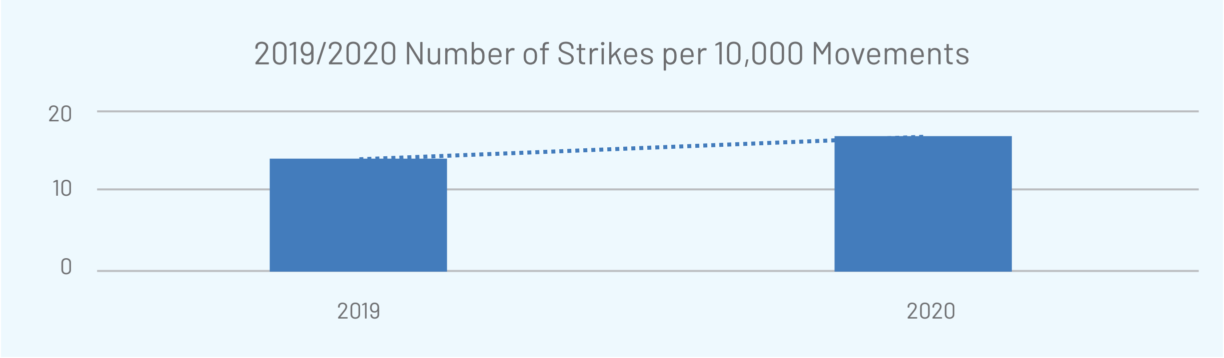
7.2 Wildlife Hazards-Strike incidences

It is a recognisable fact that airports are located in areas which are a natural habitat for wildlife. As such, we strive a balance between maintaining the environment and commercial imperatives by keeping wildlife strike incidences at the barest minimum demonstrating our deep respect for nature.



An upward trend has been noted through the five years in the number of incidences mainly due to an improved system in monitoring and data collection. On average only 35% of strike incidences are reported by pilots. In 2018 Q4 ZACL introduced a system that would help to capture the 65% incidences which were unreported. Other contributing factors to the rise in strike incidences include:

1. A general increase in aircraft movements over the years
2. Abundance in presence of migratory birds especially in the wet season
3. Inclusion of Solwezi aerodrome in 2019 to the wildlife strike data base



An increase in strike incidences was recorded in the 2019 against a reduction in aircraft movements owing to the COVID-19 pandemic. As the Airports became quieter, wildlife (birds) also expanded their territories to airports.

Between 2019 and 2020 ZACL made the following strides to reduce strike incidences:

1. Appointed and Trained 14 wildlife operators across all airports.
2. Developed/Reviewed the Wildlife Hazard management Plans for all international Airports and Solwezi.
3. Developed a comprehensive monitoring mechanism of wildlife activities and strike incidences within the aerodromes.
4. Conducted cropping exercises to reduce targeted wildlife populations at SMKIA and KKIA.

7.3 Quality Assurance

The Corporation places quality at the core of its operations by ensuring we meet international standards and attain the various required certifications. The following were attained during the year:

1. ISO9001: 2015 Certification by SABS. Certificate valid from 3rd March 2020 to 2nd March 2023.
2. Aerodrome Recertification of KKIA. Certificate Valid from 20th August 2020 to 19th August 2022.
3. HMNIA, Ndola and Mfuwe International Airport Aerodrome Licensing. License valid from 31st March 2020 to 30th March 2021.
4. Aerodrome Certification of HMNIA. Certificate valid form 25th November 2020 to 24th November 2022.
5. Aerodrome Licensing. All aerodromes licensed. License valid from 30th September 2020 to 29th September 2021.

8.0 OUR PEOPLE-OUR ASSETS

At the Corporation, we recognise that our people are our greatest asset for driving success. In committing to continually improving the work environment to make the best it can possibly be, we tracked all movements within the establishment and training interventions.

8.1 Staff Headcount

The staff headcount for the period ending 31st December 2020 was 986 against an approved establishment of 1140. A total number of 20 staff were engaged during the year to fill up the vacant positions in critical areas of operations. Interestingly, a total of 24 members of staff were promoted to take up higher and more challenging roles - clearly cementing the Corporation's strategy of developing human capital.

8.2 Separations

The Corporation recorded 50 separations during the year including 19 expiry of contract, 15 resignations, 9 normal retirements, 3 deaths, 2 dismissals, 1 termination of contract, and 1 medical discharge.

8.3 Staff Training and Development

In the quest to enhance human capital for improved service delivery and productivity levels, the Corporation undertook various training interventions; mandatory or otherwise. The capacity building training and human development programs were meant to improve knowledge, skills and competence of staff for effective service delivery. Due to constrained cash inflows arising from the impact of COVID-19 on the business, training was mainly concentrated on mandatory, and for license requirements for staff to be able operate legally and ensure provision of high-quality service to the customers.

8.4 Industrial Relations

The Corporation generally enjoyed good and harmonious industrial relations in 2020. Management has continued to foster dialogue with employees, employees' representatives as well as professional associations to improve morale and continue good working relationships.

The above notwithstanding and due to the constrained fiscal space, management and the two (2) Unions (AAWUZA and NUAAW) did not conclude negotiations for terms and conditions of service for the year 2021.

9.0 CORPORATE SOCIAL RESPONSIBILITY

In fulfilling our social obligations, we are committed to being a good corporate citizen and we prioritise corporate social investments in areas of education, orphans and vulnerable children, and health through improving access to clean water and sanitation consistent with Vision 2030 and the United Nations' Sustainable Development Goals.

Our CSR strategy is founded on the requirement that we align our overarching corporate strategy to Ministry of Transport and Communication's strategic outcomes and national economic development agenda as espoused in the 7NDP.

9.1 Education

At ZACL, we believe in ensuring that children of both genders deserve an equal opportunity. ZACL has continued to enjoy a long-standing partnership with the Zambian Association of Literacy (ZALIT). In the year under review, this partnership saw continuation of the Literacy Insaka Project with the objects of improving literacy proficiencies using narratives told from both visual and audio sources, in both resource and non-resource constrained areas.

9.2 Orphans and Vulnerable Children

In partnership with Habitat for Humanity Zambia (HFHZ), the Corporation continued to execute positive changes in the lives of the less fortunate by constructing shelters and giving them a place to call home. One house was completed and handed over in 2020.

Further, the Corporation partnered with Bookworld Zambia, Trade Kings Group and Californian Beverages to provide orphans and vulnerable children from the Bill and Bette Bryant House in Lusaka with the annual Christmas donations. This was meant to show some love and advance the cause of education for all.

9.3 Health - Water & Sanitation

Our partnership with Habitat for Humanity Zambia (HFHZ) has continued to yield positive results with the provision of clean drinking water to communities in nearby proximity to our international airports. This initiative has affected the lives of thousands of citizens with positive ripple effects within the communities. We are resilient in our belief regarding the importance of providing clean water to affected communities as it is vital to their health and general well being.

9.4 Gender Equality

Zambia Airports Corporation Limited is an advocate for female empowerment through various causes such as access to education and health care. As part of the CSR framework, ZACL assisted the Insakwe Approved School for female juvenile offenders in Ndola. The school is a Rehabilitation Centre for young girls established by the Government to assist juveniles to conform to societal norms. It plays a cardinal role in steering young girls towards their potential by providing them care, life skills and offering them a chance to reintegrate into society.

9.5 Awards and Accolades

Zambia Airports Corporation Limited received the CSR Award for Community Programmes at the 2020 CSR & Responsible Business Awards.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Grant Thornton

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REPORT OF THE DIRECTORS

The Directors submit their report and audited financial statements for the year ended 31 December, 2020.

1. Status of the Corporation

The Corporation commenced its operations on 11 September 1989 and operates under the supervision of the Ministry of Finance and functionally under the Ministry of Transport and Communications.

2. Principal Activities

The Corporation's principal activity is the provision of airport facilities and services at designated international airports, namely Kenneth Kaunda (KKIA), Simon Mwansa Kapwepwe (SMKIA), Harry Mwaanga Nkumbula (HMKIA) and Mfuwe as well as provision of air navigation services throughout Zambia. The Corporation is also in charge of six provincial and three strategic aerodromes.

3. Share Capital

The Corporation's authorised, issued and fully paid up share capital comprises 16,458,500 ordinary shares of K1 each.

4. Results

The Corporation's results are as follows:

	2020 K	Restated 2019 K
Operating revenue	269,736,479	569,305,998
Profit before tax	(255,239,624)	132,235,676
Income tax expense	13,457,743	(12,522,019)
Profit after tax	(241,781,881)	119,713,657

The Corporation achieved revenue of K270 million during the twelve months to 31 December 2020 compared to K589 million for the previous 12 months. Operating costs during the period amounted to K552 million (2019 – K514 million) resulting into a loss before tax of K255 million (2019 – K132 million) after taking into account other charges.

5. Dividends

The Corporation made a loss after tax of K242 million for the year ended 31 December 2020 (2019: profit K119 million). The Directors do not recommend a dividend for the year ended 31 December 2020 due to the post effects of the coronavirus. A cash buffer is required to sustain the operations of the Corporation.

6. Directors and Secretary

The Directors and the Secretary who served during the year and up to the date of this report were as follows:

Mr. Milingo Lungu	-	Chairperson
Ms. Prisca Mwansa Chikwashi	-	Vice Chairperson
Mr. Moonga Mumba	-	Member
Mr. Sunday Chanda	-	Member
Ms. Patricia Pakatamanja Zimba	-	Member
Mr. Mukuli Chikuba	-	Member
Mr. Nicholas Chikwenya	-	Member
Mr. Charles Mushota	-	Member
Mr. Fumu Mondoloka	-	Member
Mrs Irene Tembo	-	Member – Appointed – October 2020
Mr Clive Khan	-	Member – Appointed – October 2020
Mr Mulele Muketo		Member – Appointed – October 2020

The Secretary is:

Mrs. Maggie Banda Kaunda
Zambia Airports Corporation Limited
Kenneth Kaunda International Airport
PO Box 30175
LUSAKA

7. Industrial relations

The Corporation enjoyed industrial harmony throughout the year.

8. Employees

The Corporation had 986 full time employees at 31 December 2020 (31 December 2019 – 1,016) and total salaries and wages paid were K295 million for the year ended 31 December 2020 (December 2019 – K279 million). The average number of employees in each month for the year was:

January 2020	1,024
February 2020	1,028
March 2020	1,025
April 2020	1,022
May 2020	1,021
June 2020	1,018
July 2020	1,019
August 2020	1,015
September 2020	1,005
October 2020	993
November 2020	989
December 2020	986

9. Gifts and donations

The Corporation made donations of K388,395 during the year (2019 – K222,093).

10. Property, plant and equipment

Additions to property, plant and equipment totaling K78 million were made during the year (2019 – K83 million).

11. Other material facts, circumstances and events

The Directors wish to report that following the advent of the coronavirus (COVID-19) major economic activities across the world have been impacted and ZACL is no exception. According to the International Monetary Fund (IMF), the virus outbreak will slow global economic growth, but the extent of the drop remains unclear. Economic effects of the COVID-19 are two-fold namely through economic channels on the supply side such as factory closures, reduced work hours, cutbacks in service provision and supply chain disruption. On the demand side, reduced private consumption, cancellation of business and tourism travels and education and entertainment services. Currently the containment measures around the world are quarantine, travel bans and restrictions, lockdowns and closure of public places. Airport Council International (ACI) estimated above US$46 billion total airport industry losses for 2020. Passenger traffic is expected to decline between 20% to 50% between March and June depending on how the situation will evolve.

The travel bans across the globe have negatively impacted the aviation industry. From the Zambian perspective, the three international airports namely SMKIA, HMNIA and Mfuwe have been closed for international flights in order to effectively manage the spread of the coronavirus. In March the Corporation received notification of suspension of flights from all the major carriers up to end of May, however, lifting up of the suspension will be subject to how the COVID-19 will evolve across the globe.

From the Corporation financial perspective, this has eroded the aviation aeronautical income revenue accounts for 90% of the operating revenue.

To mitigate the loss in revenue, management has put up stringent measures to manage the costs during this lean period which include revising operating hours for all airports, suspending recruitments, suspending granting of staff advances ,loans and also allowing staff to take up their leave to reduce the cost to the Corporation. Most capital projects have been deferred to next financial year. Management has further engaged the lenders on deferment of payment of principle portion of loans and leases and rescheduling of the FX Forward obligation from April to August 2020.

12. Financial statements

The financial statements set out on pages 43 to 79 have been approved by the Directors.

13. Auditors

Grant Thornton have been appointed as the incoming auditors for the financial year ending 31 December 2020. Having expressed their willingness to continue in office, a resolution proposing their reappointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

By order of the Board

Mrs. Maggie Banda Kaunda
Corporation Secretary

Lusaka

Date: 10 May 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 265 of the Zambian Companies Act 2017 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of Zambia Airports Cororation Limited and of its financial performance and its cash flows for the year then ended. In preparing such financial statements, the directors are responsible for:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error;
- selecting appropriate accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with the applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2017. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirm that in their opinion:

(a) the financial statements give a true and fair view of the financial position of Zambia Airports Corporation Limited as of 31 December 2020, and of its financial performance and its cash flows for the year then ended;

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when these fall due; and

(c) the financial statements are drawn up in accordance with the provisions of the Companies Act 2017 and International Financial Reporting Standards.

This statement is made in accordance with a resolution of the directors.

Signed at **Lusaka** on 10 May 2021.

Milingo Lungu
Chairperson

Fumu Mondoloka
Director

REPORT OF THE INDEPENDENT AUDITOR

To the Members of Zambia Airports Corporation Limited

Report on the financial statements

Opinion

We have audited the financial statements of Zambia Airports Corporation Limited ("the Corporation"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Corporation`s financial statements give a true and fair view of the financial position of the Corporation as at 31 December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of significance in our audit of the financial statements for 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. We have determined the matter described below to be a key audit matter to be communicated in our report.

Key Audit Matter	How the matter was addressed in our report
Measurement of financial assets Due to the complex and subjective nature of judgements made in the assumptions by the Directors over the measurement of financial assets this was considered a key audit matter. • The Directors are required to apply the forward-looking approach to recognize expected credit losses based on IFRS 9's impairment requirements. • Further, in assessing the fair value of financial assets, the Directors use a variety of valuation methods based on the classification of assets and make assumptions that are based on market conditions and other relevant valuation data existing at each reporting date.	Our procedures included but were not limited to the following: • Assessing the design and implementation of the impairment model adopted with focus on compliance with the requirements of IFRS9: "Financial Instruments". • Reviewing management's evaluation of possible outcomes and the probability of occurrence. • Checking the reasonableness of the information and ensuring the information was supported with reference to past events, current conditions as well as forecast of the future. • We obtained the analysis prepared by management in calculating the fair value of the assets. • We evaluated management's valuation assumptions and changes in assumptions to ensure they were reasonable and consistent with market information and other relevant valuation data. • Performed audit procedures over the valuation and accounting of investments in financial assets, to ensure that the valuation inputs applied to various valuation techniques were reasonable.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

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

Auditor`s 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 auditor`s 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 based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment 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.
- 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the organisation 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, 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 auditor's 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.

Other Information

The Directors are responsible for the other information included in the annual report. Our opinion on the financial statements does not cover other information and we do not express an audit opinion thereon. Our responsibility is to read the other information and consider whether the information therein is materially consistent with the financial statements. If based on our work, we conclude that there is a material misstatement we are required to report to that fact. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

The Companies Act, 2017 requires that in carrying out our audit, we consider and report to you on the accounting and other records and registers. We confirm that the accounting and other records and registers have been properly kept in accordance with the Act.

The Zambia Companies Act of 2017 requires that in carrying out our audit of the Corporation, we report on whether:

i. There is a relationship, interest or debt which us, as the Company's auditor, have in the Company;

ii. There are serious breaches by the Company's directors, of corporate governance principles or practices contained in part VII's sections 82 to 122 of the Zambia Companies Act of 2017; and

In respect of the foregoing requirements, we have no matter to report.

Grant Thornton
Chartered Accountants

Christopher Mulenga (AUD/F000178)
Name of Partner signing on behalf of the Firm

Lusaka

Date: 10 May 2021

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	Restated 2019
		K	K
Revenue	9	269,736,479	589,305,998
Expenditure			
Depreciation	12 (a) and 12(b)	(81,061,871)	(47,180,636)
Employee costs	Appendix 1	(294,953,577)	(278,625,717)
Other operating expenses	Appendix 1	(176,306,664)	(188,372,949)
		(282,585,633)	75,126,696
Other income	Appendix 1	30,118,301	35,059,585
(Loss)/profit from operations		(252,467,332)	110,186,281
Net finance income and costs	10	(2,536,550)	22,049,395
Loss on disposal		(235,742)	-
(Loss)/profit before tax		(255,239,624)	132,235,676
Income tax expense	11(a)	13,457,743	(12,522,019)
(Loss)/profit after tax		(241,781,881)	119,713,657
Other comprehensive income		-	-
Items that will not be reclassified to profit or loss			
Gain and property revaluation			
Other comprehensive income		-	-
		-	-
Total comprehensive income for the year		(241,781,881)	119,713,657

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 K	Restated 2019 K
Non-Current Assets			
Property, plant and equipment	12(a)	8,106,666,876	785,669,461
Right- of -use assets	12(b)	8,580,036	13,020,711
Financial assets at fair value through profit or loss	13	3,645,912	3,645,912
Deferred tax asset	11(c)	14,162,448	-
		8,133,055,272	802,336,084
Current Assets			
Inventories	14	4,060,721	4,963,670
Tax recoverable	11 (b)	-	-
Trade and other receivables	15	102,781,249	154,302,252
Financial assets at amortised cost	16(a)	8,376,514	25,924,502
Financial assets at fair value through profit or loss	16(b)	2,611,158	3,386,571
Cash and cash equivalents	17(a)	48,990,695	90,093,439
		166,820,337	278,670,434
Total Assets		8,299,875,609	1,081,006,518
Equity and Liabilities			
Equity			
Share capital	18	16,458,500	16,458,500
Amount received awaiting allotment of shares		13,928,678	13,928,678
Revaluation reserves		7,529,129,567	217,512,762
Accumulated profit		43,486,904	277,628,305
		7,603,003,649	525,528,245
Non-Current Liabilities			
Capital grants	19	233,085,566	251,272,115
Long-term loans	20	208,291,688	96,124,928
Deferred income tax	11(c)	-	6,391,949
Obligations under finance leases	21	7,118,308	4,848,773
Deferred liability	22	80,215,363	78,683,965
		528,710,925	437,321,730
Current Liabilities			
Short term portion of long-term loans	20	81,893,239	51,148,336
Obligations under finance leases	21	-	6,927,762
Trade and other payables	23	69,721,347	45,499,301
Income tax payable	11(b)	11,970,220	7,383,685
Bank overdraft	17	76,229	11,724
Deferred liability	22	4,500,000	7,185,735
		168,161,035	118,156,543
Total Equity and Liabilities		8,299,875,609	1,081,006,518

The financial statements set out on pages 43 to 79, which have been prepared on a going concern basis, were approved by the Board of Directors on 10 May 2021 and were signed on its behalf by:

Milingo Lungu
Chairperson

Fumu Mondoloka
Director

STATEMENT OF CHANGES IN EQUITY - RESTATED

	Share capital K	Amount received awaiting allotment of shares K	Revaluation reserves K	Accumulated profit K	Total K
At 1 January 2019	16,458,500	13,928,678	222,477,324	155,274,168	408,138,670
Profit for the year		-	-	119,713,657	119,713,657
Total comprehensive Income	-	-	-	-	-
Deferred tax on valuation		-	2,675,918	-	2,675,918
Transfer	-	-	(7,640,480)	7,640,480	-
Transactions with owners					
Dividend paid	-	-	-	(5,000,000)	(5,000,000)
31 December 2019	16,456,500	13,928,678	217,512,762	277,628,305	525,528,245
1 January 2020 - as previously reported	16,458,500	13,928,678	217,512,762	272,174,853	520,074,793
Prior year adjustment	-	-	-	5,453,452	5,453,452
As restated	16,458,500	13,928,678	217,512,762	277,628,305	525,528,245
(Loss)/profit for the year	-	-	-	(241,781,881)	(241,781,881)
Total comprehensive Income	-	-	-	-	-
Revaluation	-	-	7,319,257,285		7,319,257,285
Transfer	-	-	(7,640,480)	7,640,480	-
At 31 December 2020	16,458,500	13,928,678	7,529,129,567	43,486,904	7,603,003,649

Revaluation reserves

Revaluation reserves represent non-distributable reserves which arise from the revaluation surplus on buildings and plant and equipment.

Accumulated profit

The accumulated profit represents accumulated retained earnings from the operations of the Corporation.

Amount received pending allotment of shares

The amount received awaiting allotment represents funds held pending allotment of shares.

Dividend

Due to the adverse effects from Covid in the aviation industry and in particular on the operations, no dividend was paid during the year (2019: K5,000,000).

STATEMENT OF CASH FLOWS

	Note	2020 K	Restated 2019 K
Cash inflow from operating activities			
(Loss)/profit before tax		(255,239,624)	132,235,676
Loss/(profit) on disposal of motor vehicles, PP&E		235,742	(288,721)
Interest paid	10	21,224,818	13,506,791
Interest received	10	(5,712,745)	(7,748,972)
Financial assets at fair value through profit or loss		775,413	(2,119,373)
Depreciation	12	81,061,871	47,180,636
Amortisation of capital grants	19	(18,186,549)	(18,460,057)
Decrease/(increase) in inventories		902,949	(1,070,012)
Decrease/(increase) in trade and other receivables		51,521,003	(22,179,509)
Decrease/(increase) in assets at amortized cost		17,547,988	(6,354,411)
Increase/(Decrease) in trade and other payables		24,222,046	(20,923,012)
(Decrease)/increase in deferred liability		(1,154,337)	3,702,058
Revenue grants received-GRZ		(7,798,574)	(4,007,819)
Net cash flows from operating activities		(90,599,999)	113,473,275
Returns on investment and servicing of finance			
Interest received	10	5,712,745	7,748,972
Interest paid	10	(21,224,818)	(13,506,791)
Dividend paid		-	(5,000,000)
Net cash flows (used on)/from returns on investments and servicing of finance		(15,512,073)	(10,757,819)
Income tax paid	11(b)	(2,510,119)	(2,880,947)
		(2,510,119)	(2,880,947)
Investing activities			
Purchase of plant and equipment	12(a)	(78,913,911)	(82,819,063)
Net cash flows used on investing activities		(78,913,911)	(82,819,063)
Financing activities			
Long-term loan received	20	178,220,334	71,730,517
Finance lease repaid	21	(4,658,227)	(5,872,575)
Revenue grants received-GRZ	20	7,798,574	4,007,820
Repayment of loans		(35,308,671)	(39,354,699)
Proceeds from sale of motor vehicle		316,843	1,019,784
Net cash flows from financing activities		146,368,853	31,530,847
Movement in cash and cash equivalents			
Net cash flow		(41,167,249)	48,546,293
Cash and cash equivalents at beginning of the year		90,081,715	41,535,422
Cash and cash equivalents at end of the year	17	48,914,466	90,081,715

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Status of the Corporation

The Corporation commenced its operations on 11 September 1989 and operates under the supervision of The Ministry of Finance and functionally under the Ministry of Transport and Communications.

2. Principal activities

The Corporation's principal activity is the provision of airport facilities and services at designated international airports, namely Kenneth Kaunda International Airport, Simon Mwansa Kapwepwe, Harry Mwaaga Nkumbula and Mfuwe International Airports as well as provision of air navigation services throughout Zambia. The Corporation is also in charge of six provincial and three strategic aerodromes.

3. Basis of preparation and accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRs). The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):
- Financial instruments – fair value through profit or loss
- Financial instruments – fair value through other comprehensive income
- Contingent consideration
- Revalued property, plant and equipment

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment and certain financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation`s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 7.0.

4. Going concern

During the year, the Corporation recorded a loss before tax of K255 million (2019: profit of K132 (restated) million) and its current liabilities increased to K168 million from K118 million in the previous period. The Corporation meets its day to day working capital requirements from its own generation of funds through the collection of various fees and bank borrowing.

The financial statements have been prepared on a going concern basis which assumes that the Corporation will continue in operational existence for the foreseeable future.

The validity of this assumption depends on future profitable operations.
If the Corporation were unable to continue in operational existence, adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify property, plant and equipment as current assets.

The Directors have reviewed the effects of the matters mentioned above and believe that it is appropriate for the financial statements to be prepared on a going concern basis.

5.0 Application of new and revised International Financial Reporting Standards (IFRSs)

5.1 New standards and amendments that are effective at 1 January 2020 and are applicable to the Corporation

Some accounting pronouncements which have become effective from 1 January 2020 and have therefore, been adopted do not have a significant impact on the Corporation's financial results or position.

Title	Description	Effective Date
Amendments to References to the Conceptual Framework in IFRSs	Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.	Annual periods beginning on or after 1 January 2020.
Definition of a Business (Amendments to IFRS 3)	The amendments in *Definition of a Business (Amendments to IFRS 3)* are changes to Appendix A *Defined terms*, the application guidance, and the illustrative examples of IFRS 3 only. They: • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in *Definition of Material (Amendments to IAS 1 and IAS 8)* clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	Annual reporting periods beginning on or after 1 January 2020.
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The amendments in *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	Annual reporting periods beginning on or after 1 January 2020.

5.2 Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Corporation

Title	Description	Effective Date
IFRS 17 Insurance Contracts	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	The Standard is effective for annual reporting periods beginning on or after 1 January 2022.
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	Annual reporting periods beginning on or after 1 January 2022.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Corporation's financial statements.

6. Significant accounting policies

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

6.1 Revenue recognition

(i) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction and closure of the related file.

Revenue represents the fair value of the consideration receivable for sales of goods and services. To determine whether to recognise revenue, the Corporation follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from rendering of services is currently recognised as the related services are performed. Revenue is recognised either at a point in time or over time, when (or as) the corporation satisfies performance obligations by transferring the services to its customers. The Corporation recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its statement of financial position Similarly, if the Corporation satisfies a performance obligation before it receives the consideration, the Corporation recognises either a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

6. Significant accounting policies (continued)

6.1 Revenue recognition (continued)

(ii) **Interest income and expense**:
Interest income and expense are recognised in the income statement for all interest bearing instruments measured at amortised cost using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments.

(iii) **Fees and commissions**
Fees and commissions are generally recognised on an accruals basis when the service has been provided.

6.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the 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 Corporation and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increase in the carrying amount arising from revaluation of property, plant and equipment are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same assets are charged against revaluation reserves in equity; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Depreciation is calculated to write off the cost of property and equipment on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Item	*Rate*
Airport terminals, runways, taxiways and aprons	2.5%
Other leasehold buildings	2.5%
Motor vehicles, furniture and equipment	20%
Specialised plant and equipment	6.67 -15%

Assets are depreciated in full in the year of purchase and nil in year of disposal.

Capital work in progress is not depreciated until the capital project has been completed and the assets brought into use.

Expenditure on assets under construction is initially shown as capital work in progress and transferred to the relevant class of assets when commissioned.

Borrowing costs, being interest payable on loans are added to the carrying amounts of the related capital works in progress.

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

6. Significant accounting policies (continued)

6.2 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income in the other operating income.

When revalued assets are sold, the amounts included in the revaluation surplus relating to these assets are transferred to the retained earnings.

6.3 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) ***Right-of-use assets***

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Furniture, fixtures and equipment -5 years
- Motor vehicles - 4 years
- Rental lease-period of lease

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) ***Lease liabilities***

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the

6. Significant accounting policies (continued)

6.3 Leases (continued)

ii) ***Lease liabilities (continued)***

event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the Interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) ***Short-term leases and leases of low-value assets***

The Company applies the short-term lease recognition exemption to its short-term leases of property and machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

6.4 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

6. Significant accounting policies (continued)

6.4 Financial instruments (continued)

Recognition and derecognition (continued)

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the entity does not have any financial assets categorised as FVOCI. The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

6. Significant accounting policies (continued)

6.4 Financial instruments (continued)

Financial assets at fair value through profit or loss (FVTPL) (continued)

The category also contains equity investments. The Corporation accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in listed equity securities at fair value through other comprehensive income (FVOCI). In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets are designated as being at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cashflows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Corporation considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

6. Significant accounting policies (continued)

6.4 Financial instruments (continued)

Impairment of financial assets (continued)

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Corporation considers evidence of impairment for trade and other receivables as well as investments.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Interest on the impaired assets continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Classification and measurement of financial liabilities

The Corporation's financial liabilities include borrowings and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Corporation designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.
Financial liability at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

6.5 Inventories

Inventory is stated at the lower of cost and net realizable value. In general, cost is determined on a weighted average basis and includes transport and handling costs. Net realizable value is the price at which the stock can be realized in the normal course of the business allowing for costs of realization. Provision is made for obsolete, slow-moving and defective stock.

6.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and balances held with banks.

6.7 Borrowing costs

Borrowing costs, being interest payable on loans, are accounted for on an accruals basis. Transaction costs arising on arranging a new financial liability are debited to the liability and amortized over the life of that liability. Borrowing costs are charged to the statement of comprehensive income for the year in which they are incurred.

6. Significant accounting policies (continued)

6.8 Grants

Grant income represents funds received from the Government of the Republic of Zambia during the year. Income from the Government is recognised in the statement of income and expenditure when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant.

Grants that compensate the Company for expenses incurred are recognised in comprehensive income on a systematic basis in the same periods in which the expenses are recognised.

Grants that compensate the Company for the cost of an asset are recognised in comprehensive income on a systematic basis over the useful life of the asset.

6.9 Short term and long term loans

Short term loans include all amounts expected to be repayable within twelve months from the reporting date, including installments due on loans of longer duration. Long term loans represent all amounts repayable more than twelve months from the reporting date.

6.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on the results for the year as adjusted for items which are non-assessable or disallowed for tax purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Temporary differences can arise from the recognition for tax purposes of items of income or expense in a different accounting period from that in which they are recognized for financial accounting purposes. The tax effect of these temporary timing differences is computed by applying enacted statutory tax rates to any differences between carrying values per financial statements and their tax base, and accounted for as deferred tax.

Deferred taxation assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

6.11 Foreign currencies

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Corporation operates (the 'functional currency'). The financial statements are presented in Zambian Kwacha, which is the Corporation's presentation and functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the date of transactions. Foreign exchange gains and losses resulting from such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Translation differences on monetary items, such as equity at fair value through income, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as assets at fair value through other comprehensive income, are included in fair value reserve in equity.

6. Significant accounting policies (continued)

6.12 Employee benefits

(i) *Pension obligations*

The Corporation has a plan with National Pension Scheme Authority (NAPSA) where the Corporation pays an amount equal to the employee's contributions. Employees contribute 5% of their gross earnings up to the statutory limit.

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(iii) *Gratuity*

For fixed term contract employees, a gratuity is payable at the end of the contract. Contract periods range from 2-3 years. Gratuity is expensed to profit or loss account in the period the service is rendered.

6.13 Provisions

Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when: the Corporation has a present legal or constructive obligation as a result of past events; it is more likely than not 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. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

6.14 Dividend distribution

Dividend distribution to the Corporation's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Corporation's shareholders.

7.0 Critical accounting estimates and judgement in applying accounting policies

The Corporation makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

7.0 Critical accounting estimates and judgement in applying accounting policies (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payment of Principal and Interest (SPPI) and the business model test. The Corporation determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Corporation monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Impairment losses on receivables

When measuring expected credit loss the Corporation uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Impairment of assets other than receivables

The carrying amounts of the Corporation's assets other than receivables are reviewed at each reporting date to determine whether there is an indication of impairment. If any such exists, the asset's recoverable amount is estimated. This estimation requires significant judgement.

An impairment loss is recognized in the income statement whenever the carrying amount exceeds the recoverable amount.

Fair value measurement

The carrying amounts of financial assets and liabilities are representative of the Corporation's position at 31 December 2020 and are in the opinion of the Directors not significantly different from their respective fair values due to generally short periods to maturity dates. The significant classes of financial assets and liabilities are as disclosed in the statement of financial position. As far as possible market prices are applied in determining fair values.

Fair value hierarchy

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded amounts; and
- fair values that are not based on observable market data.

7.0 Critical accounting estimates and judgement in applying accounting policies (continued)

Fair value hierarchy (continued)

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Corporation's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

There were no financial assets and liabilities transferred between levels.

8 Management of financial risk

8.1 Financial risk

The Corporation is exposed to a range of financial risks through its financial assets and financial liabilities (borrowings). The most important components of this financial risk are interest rate risk and credit risk. These risks arise from open positions in interest rate and business environments, all of which are exposed to general and specific market movements. The Corporation manages these positions with a framework that has been developed to monitor its customers and return on its investments.

8.2 Credit risk

The Corporation has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Corporation is exposed to credit risk is amounts due from customers.

8.3 Capital management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to its overall financing structure. The Company manages the capital structure and makes adjustments to it in the light of the economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of the dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

9. Revenue

	2020 K	Restated 2019 K
Over flight fees	35,760,047	58,515,336
Air Navigation fees	13,487,364	23,611,824
Passenger service charges	53,997,331	169,687,521
Security charges	12,384,931	37,286,357
Cute and Cuss	4,074,073	11,425,441
Landing fees	42,602,636	75,262,918
Parking fees	2,300,841	5,431,211
Fuel through put fees	3,218,113	3,638,379
Car park	1,644,696	4,192,399
Ground handling	49,409,898	101,569,393
Rentals	26,818,611	26,680,401
Aviation infrastructure fees	24,037,938	72,004,818
	269,736,479	589,305,998

10. Net finance income and costs

	2020 K	2019 K
Interest on loans	(21,224,818)	(13,506,791)
Interest on short term investments	5,712,745	7,748,972
Net exchange gain	12,975,523	27,807,214
	(2,536,550)	22,049,395

11. Income tax expense

	2020 K	Restated 2019 K
(a) Recognised in the statement of Comprehensive Income		
Charge for the year		
Income taxed separately	7,096,654	20,167,497
Deferred tax	(20,548,405)	(7,645,478)
	13,451,751	12,522,019

11. Income tax expense (continued)

Current tax is subject to agreement with the Zambia Revenue Authority.

	2020 K	Restated 2019 K
(a) Reconciliation of the tax charge		
(Loss)/profit before taxation	(255,239,624)	132,235,676
Taxation at current rate on accounting profit	(89,333,869)	46,282,487
Interest	1,944,167	2,653,146
Rent	1,941,904	55,750
Other income	3,210,583	5,351,367
Permanent differences:		
Disallowable expenses	38,927,950	14,789,590
Timing differences:		
Capital allowances and depreciation	(10,366,556)	(24,455,242)
Allowable expenses	(13,636,226)	(11,253,,389)
Other income	(11,951,414)	(8,199,638)
(Over)/under provision in prior year		
Loss b/f	-	(5,056,574)
Loss c/f	86,360,115	-
Deferred tax	(20,554,397)	(7,645,478)
Tax expense	(13,457,743)	12,522,019
(b) Movement in taxation payable account		
At the beginning of the period	7,383,685	(9,902,865)
Charge for the period	7,096,654	20,167,497
Over provision	-	-
Payments during the period	(2,510,119)	(2,880,947)
At end of the period	11,970,220	7,383,685
(c) Deferred taxation		
This represents:		
Accelerated tax allowances	(14,156,456)	6,391,949
Analysis movement:		
At 1 January 2020	6,391,949	16,713,345
Charge to equity	-	(2,675,918)
Provision/credit made during the year	(20,554,397)	(7,645,478)
At 31 December 2020	(14,162,448)	6,391,949

11. Income tax expense (continued)

(d) Income tax returns have been filed with the Zambia Revenue Authority for all the years up to 31 December 2019. Quarterly tax returns for the period ended 31 December 2020 were made on the due dates during the year.

(e) Deferred income tax

	1 January	Charged to profit & loss	Not charged to profit & loss	Charged to equity	31 December
	K	K	K	K	K
Deferred income tax liability					
(Recognised)					
Property plant and equipment	6,391,949	61,264,284	-	-	67,656,233
Exchange losses	-	(81,818,681)	-	-	(81,818,681)
	6,391,949	(20,554,397)	-	-	(14,162,448)

12. (a) Property, plant and equipment

	Airport terminal runways Taxiways and aprons K	Motor vehicles K	Equipment and furniture K	Capital K	Total K
Cost					
At 1 January 2019	597,275,000	26,987,274	443,510,267	54,536,340	1,122,308,881
Transfer to right of use assets	-	(6,965,998)	(11,925,479)	-	(18,891,477)
Adjusted Balance at 1 January 2019	597,275,000	20,021,276	431,584,788	54,536,340	1,103,417,404
Additions	-	742,303	16,553,045	65,523,715	82,819,063
Transfers	2,078,378	-	31,089,655	(33,168,033)	-
Disposal	-	(4,491,305)	(4,786,339)	-	(9,277,644)
At 1 January 2020	599,353,378	16,272,274	474,441,149	86,892,022	1,176,958,823
Transfer from right of use assets	-	3,801,926	3,590,766	-	7,392,692
Additions	-	4,724,858	8,868,892	65,320,161	78,913,911
Revaluation	7,319,257,285	-	-	-	7,319,257,285
Transfers	2,156,751	-	-	(2,156,751)	-
Disposal	(789,000)	(1,335,554)	-	-	(2,124,554)
At 31 December 2020	7,919,978,414	23,463,504	486,900,807	150,055,432	8,580,398,157
Depreciation					
At 1 January 2019	134,362,370	19,341,068	208,913,410	-	362,616,848
Transfer to right of use assets	-	(2,641,470)	(2,855,891)	-	(5,497,361)
Adjusted Balance at 1 January 2019	134,362,370	16,699,598	206,057,519	-	357,119,487
Charge for the year	14,920,015	1,388,945	26,976,369	-	43,285,329
Disposal	-	(4,352,392)	(4,763,062)	-	(9,115,454)
At 1 January 2020	149,282,385	13,736,151	228,270,826	-	391,289,362
Transfer from right of use assets	-	2,735,497	2,872,615	-	5,608,112
Charge for the year	44,994,587	2,453,981	30,957,207	-	78,405,775
Disposal	(255,801)	(1,316,167)	-	-	(1,571,968)
At 31 December 2020	194,021,171	17,609,463	262,100,647	-	473,731,281
Net book value					
At 31 December 2020	7,725,957,243	5,854,041	224,800,160	150,055,432	8,106,666,876
At 31 December 2019	450,070,993	2,536,123	246,170,323	86,892,021	785,669,461

(i) The Corporation's airport terminals, runways, taxiways and aprons were revalued at 30th April 2020 by Registered Valuation Surveyors, on the basis of market value. The valuer's opinion on Market Value was primarily derived using both the depreciated replacement cost (DRC) approach, for the specialized part of the property because the specialized nature of the use means that there are no market transactions of this type of property except as part of the business or entity, and the sales comparison approach for the surplus land.

12 (a) Property, plant and equipment (continued)

(ii) The Corporation acquired certain property, plant and equipment from the Government of the Republic of Zambia, which were the assets of the Department of Civil Aviation. These financial statements include only the value of the assets transferred from the Department of Civil Aviation, which were with the Government based on a valuation carried out by the Government Valuation Department and a letter from the Ministry of Transport and Communications. Title to Harry Mwaanga Nkumbula and Simon Mwansa Kapwepwe airports is in the name of Zambia Airports Corporation Limited whilst title for Mfuwe airport has not been issued. Title for Kenneth Kaunda International Airport is in the name of the Department of Civil Aviation. However, title to Kenneth Kaunda will revert to Zambia Airports Corporation Limited. This process to change ownership of title to the airports is in progress.

(iii) Included in property, plant and equipment are fully depreciated assets with a total cost of K169,750,295 (2019: K52,006,325).

(b) Right -of- Use assets – December 2020

	Motor Vehicles K	Equipment K	Total K
At cost			
Recognised at 1 January 2020	8,158,736	13,691,470	21,850,206
Transfer to property, plant and equipment	(3,801,925)	(3,590,766)	(7,392,691)
Disposal	-	-	-
At 31 December 2020	4,356,811	10,100,704	14,457,515
Accumulated depreciation			
Recognised at 1 January 2020	3,509,980	5,319,515	8,829,495
Charge for the year	871,362	1,784,734.00	2,656,096
Transfer to property, plant and equipment	(2,735,497)	(2,872,615)	(5,608,112)
At 31 December 2020	1,645,845	4,231,634	5,877,479
Carrying amount			
At 31 December 2020	2,710,966	5,869,070	8,580,036
Recognised at 1 January 2019	6,965,998	11,925,479	18,891,477
Additions	3,588,863	1,765,991	5,354,854
Disposal	(2,396,125)	-	(2,396,125)
At 31 December 2019	8,158,736	13,691,470	21,850,206
Accumulated depreciation			
Recognised at 1 January 2019	2,641,470	2,855,891	5,497,361
Charge for the year	1,431,683	2,463,624	3,895,307
Disposal	(563,173)	-	(563,173)
At 31 December	3,509,980	5,319,515	8,829,495
Carrying amount			
At 31 December 2019	4,648,756	8,371,955	13,020,711

The Company leases motor vehicles and equipment on a three-year lease.

The maturity analysis of lease liabilities is presented in note 21

12 (b) Right -of- Use assets – December 2020 (continued)

	2020 K	2019 K
Amounts recognized in profit or loss		
Depreciation expense on right-of-use assets	2,656,096	3,895,307
Interest expense on lease liabilities	2,012,567	2,811,020

The total cash outflow for the leases amount to K4,668,663.

13. Financial assets at fair value through profit or loss

	2020 K	2019 K
ZEGA Limited - 10% interest	3,645,912	3,645,912

14. Inventories

	2020 K	2019 K
Consumable stores	4,060,721	4,963,670

15. Trade and other receivables

	2020 K	Restated 2019 K
Trade debtors	222,924,016	209,926,088
Less: provision for impairment losses	(127,337,222)	(72,129,745)
	95,586,794	137,796,343
Sundry creditors in debit	1,766,087	2,160,558
Staff loans and advances	2,404,300	5,999,128
Deposits and prepayments	3,024,068	8,346,223
	102,781,249	154,302,252

16. (a) Financial assets at amortised cost

	2020 K	2019 K
Zambia Industrial Commercial Bank	7,215,635	7,074,152
Atlasmara Bank	1,034,980	18,732,198
Finance Building Society	125,899	118,152
	8,376,514	25,924,502
180 days fixed term deposits	125,899	118,152
91 days fixed term deposits	8,250,615	25,806,350
	8,376,514	25,924,502

(b) Financial assets at fair value through profit or loss

	2020 K	2019 K
Madison Unit Trust	2,611,158	3,386,571
	2,611,158	3,386,571

17. Cash and cash equivalents

	2020 K	2019 K
Cash in hand and at bank (note (a))	48,990,695	90,093,439
Bank overdrafts	(76,229)	(11,724)
	48,914,466	90,081,715

(a) Cash in hand and at bank

Bank balances	48,972,790	90,083,379
Cash in hand	17,905	10,060
	48,990,965	90,093,439

Included in the cash in hand and at bank is USD 40,000 deposited as security for the credit cards issued by Access Bank Zambia Limited.

18. Share capital

	2020 K	2019 K
Authorised, issued and fully paid		
16,458,500 ordinary shares at K1 each	16,458,500	16,458,500

The Government of the Republic of Zambia has agreed to convert the Belgian state to state loan of K28.9 million (EURO 5.2 million) due from the Corporation into share capital. As at statement of financial date K14,988,322 had been allotted and the balance of K13,928,678 is held awaiting allotment of shares.

19. Capital grants

	2020 K	2019 K
At beginning of the year	251,272,115	269,732,172
Amortisation during the year	(18,186,549)	(18,460,057)
	233,085,566	251,272,115

Capital grants represent the balance of funds received for the improvement of airport facilities that has not been amortised.

20. Long-term loans

Zambia National Commercial Bank Plc		
At beginning of the year	147,273,264	114,897,446
Additions during the year	178,220,334	71,730,517
Repayments during the year	(35,308,671)	(39,354,699)
Balance at the year end	290,184,927	147,273,264
Portion repayable within next 12 months	81,893,239	51,148,336
Portion repayable after 12 months	208,291,688	96,124,928
	290,184,927	147,273,264

20. Long-term loans (continued)

The ZANACO facilities represent US$30,000,000 loans bearing interest at 9% and repayable by June 2022, USD10,000,000 at 10% interest rate repayable by July 2022 and the ZMW120M Covid relief loan at Bank of Zambia monetary policy rate plus a 15.5% margin interest rate and The loans are secured by the assignment of foreign currency receivables from IATA.

21. Obligations under finance leases

	2020 K	2019 K
At beginning of the year	11,776,535	13,558,334
Additions during the year	-	5,354,854
Cancelled lease	-	(1,264,078)
Repayments during the year	(4,658,227)	(5,872,575)
At end of year	7,118,308	11,776,535
Repayable within next 12 months	-	6,927,762
Repayable between 2 to 5 years	7,118,308	4,848,773
	7,118,308	11,776,535

The lease was obtained from Stanbic Bank Zambia Ltd for procurement of operational equipment and motor vehicles.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Corporation sales) are excluded from the initial measurement of the lease liability and asset. The Corporation classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Corporation to sublet the asset to another party, the right-of-use asset can only be used by the Corporation. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Corporation is prohibited from selling or pledging the underlying leased assets as security. For leases over commercial premises the Corporation must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Corporation must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Corporation's leasing activities by type of right-of-use asset recognised on the statement of financial position:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term (months)	Average remaining lease term (months)	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Motor vehicles	7	3 - 15	9.33	-	-	-	-
Equipment	3	7 - 14	10.71	-	-	-	-

21. Obligations under finance leases (continued)

The Corporation has leases for K 7,118,308. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2020 were as follows:

	Minimum lease payments due						
	Within 1 year K'	1-2 years K'	2-3 years K'	3-4 years K	4-5 years K	After 5 years K	Total K
31 December 2020							
Lease payments	6,466,293	440,687					6,906,980
Finance charges	184,841	26,487					211,328
Net present values	6,651,134	467,174					7,118,308
30 December 2019							
Lease payments	6,370,185	4,448,794					10,818,979
Finance charges	557,577	399,979					957,556
Net present values	6,927,762	4,848,773					11,776,535

Lease payments not recognised as a liability

The Corporation has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	31 December 2020 K	31 December 2019 K
Short-term leases	-	-
Leases of low value assets	-	-
Variable lease payments	-	-
Total	-	-

22. Deferred liability

Deferred liability relates to provision for terminal benefits amounting to K84.7 million (2019:K85.8 million) inclusive of 12% interest. The deferred liability relates to accrued terminal benefits due to staff at 1 April 2008 arising from long service gratuity. The liability was frozen at that date and is payable to eligible staff upon separation from the Corporation.

	2020 K	2019 K
At the beginning of the year	85,869,700	82,167,642
Interest	10,390,306	8,339,467
Payments	(11,544,643)	(4,637,409)
	84,715,363	85,869,700
Repayable within next 12 months	4,500,000	7,185,735
Repayable after 12 months	80,215,363	78,683,965
	84,715,363	85,869,700

22. Deferred liability (continued)

On 1 April 2008, the Corporation converted the unfunded long service gratuity benefit scheme to a defined contribution scheme. The liability is expected to be completely transferred to pension managers over the next 5 years and attracts interest at 12% per annum.

For the new defined contribution scheme, the Corporation contributes 10% of basic salary whilst employees contribute 5%.

The total charge to income is as follows:

	2020 K	2019 K
Current year contribution on defined contribution scheme	8,906,426	7,896,650
Interest on discontinued long service gratuity.	10,390,306	8,339,467
	19,296,732	16,236,117

23. Trade and other payables

	2020 K	2019 K
Trade creditors (note i)	23,646,401	15,423,289
Debtors in credit	-	1,628,597
Leave pay	14,667,863	11,995,120
Gratuity	11,390,068	8,066,391
Accruals	12,405,183	3,582,924
Other creditors and provisions	7,611,832	4,802,980
	69,721,347	45,499,301
Note (i)		
Current	6,366,567	13,351,445
Past due-1-90 days	17,279,834	2,071,844
	23,646,401	15,423,289

24. Derivatives

The Company enters into forward contracts. These contracts run from 1 January of one year to 31 December of the same year. There were no such contracts at the reporting date.

25. Financial instruments-risk management

Capital management

The Board manages the Corporation`s capital to ensure that the Corporation will be able to continue as a going concern while optimizing the return to the stakeholders through the optimisation of returns on investments made.

Gearing ratio

The Corporation reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Corporation has a 3.8% gearing ratio (2019: 28%).

25. Financial instruments-risk management (continued)

Categories of financial instruments

Financial assets

	Note	2020 K	Restated 2019 K
Cash and bank balances	17 (a)	48,990,695	90,093,439
Staff loans and advances	15	2,404,300	5,999,128
Deposits and prepayments	15	3,024,068	8,346,223
Trade receivables	15	95,586,784	137,796,343
Financial assets at amortised cost	16(a)	8,376,514	25,924,502
Financial assets at fair value	16(b)	2,611,158	3,386,571
Sundry creditors in debit	15	1,766,087	2,160,558
		162,759,606	273,706,764
Financial liabilities held at amortised cost or fair value			
Trade creditors	23	23,646,401	15,423,289
Debtors in credit	23	-	1,628,597
Leave pay	23	14,667,863	11,995,120
Gratuity	23	11,390,068	8,066,391
Accruals	23	12,405,183	3,582,924
Other payables and provisions	23	7,611,832	4,802,980
Zambia National Commercial Bank Plc-long-term loans	20	290,184,927	147,273,264
Stanbic Bank Zambia Limited-finance leases	21	7,118,308	11,776,535
Employee terminal benefits	22	84,715,363	85,869,700
		451,739,945	290,418,800

Financial risk management objectives

Management co-ordinates access to domestic markets, monitors and manages the financial risks related to the operations of the Corporation. These risks include market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

Market risk

The Corporation's activities expose it primarily to the financial risk of changes in foreign currency exchange rates (see below). The Corporation does not trade in any derivative financial instruments to manage its exposure to interest rate and foreign currency risk, other than forward foreign exchange contracts to hedge the exchange rate risk.

There has been no change to the Corporation's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Corporation` undertakes certain transactions dominated in foreign currencies. Hence, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as approved by the Board.

The carrying amount of the Corporation's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

25. Financial instruments-risk management (continued)

Categories of financial instruments (continued)

Foreign currency risk management (continued)

Currency	Asset/liabilities		
US Dollars	Trade creditors	(1,117,822)	(1,105,374)
US Dollars	Bank balances	2,315,907	6,453,045
US Dollars	Receivables	10,538,150	10,032,851
US Dollars	ZANACO loans	(13,717,733)	(10,554,953)
US Dollars	Stanbic finance leases	(336,499)	(844,230)

The Corporation is exposed to foreign exchange risk arising primarily from importation of goods, services and receivables denominated in foreign currency.

	Mid-market exchange rates as at 31 Dec 2020	Mid-market exchange rates as at 31 Dec 2019	Average currency depreciation during the year
US Dollars	21.15	13.95	51.61%

As at 31 December 2020, Kwacha depreciated by 52% when compared to December 2019.

Interest rate risk management

The exposure to interest rate risk is reviewed regularly by management to align with interest rate reviews and defined risk appetite, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

Credit management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Corporation. The Corporation has adopted a policy of only dealing with creditworthy counterparties and obtaining an advance payment, where appropriate, as a means of mitigating the risk of financial loss from defaults.

25. Financial instruments-risk management (continued)

Categories of financial instruments (continued)

Exposure to credit risk

The Corporation's maximum exposure to credit risk is analysed below:

	Note	2020 K	Restated 2019 K
Trade receivables	15	95,586,784	137,796,343
Sundry creditors in debit	15	1,766,087	2,160,558
Staff loans and advances	15	2,404,300	5,999,128
Deposits and prepayments	15	3,024,068	8,346,223
Interest receivable	15	-	-
Financial assets at amortised cost	16(a)	8,376,514	25,924,502
Financial assets at fair value through profit or loss	16(b)	2,611,158	3,386,571
Cash and bank balances	17(a)	48,990,695	90,093,439
		162,759,606	273,706,764

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Corporation`s short, medium and long-term funding and liquidity management requirements. The Corporation manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table details the Corporation's remaining period for contractual maturity of it's non-derivate financial assets and liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

25. Financial instruments-risk management (continued)

Categories of financial instruments (continued)

Liquidity risk management (continued)

	Note	1 to 3 months	3 months to 1 year	More than 1 year	Total
31 December 2020		K	K	K	K
Liabilities					
Trade payables	23	23,646,401	-	-	23,646,401
Debtors in credit	23	-	-	-	-
Leave pay	23	-	14,667,863	-	14,667,863
Gratuity	23	-	11,390,068	-	11,390,068
Accruals	23	12,405,183	-	-	12,405,183
Other creditors and provisions	23	7,611,831	-	-	7,611,831
Zambia National Commercial Bank loans	20	-	81,893,239	208,291,688	290,184,927
Stanbic bank Zambia Limited-leases	21	-	7,118,308	-	7,118,308
Deferred liability	22	-	4,500,000	80,215,363	84,715,363
		43,663,415	119,569,478	288,507,051	451,739,944
Assets					
Bank and cash balances	17(a)	48,990,695	-	-	48,990,695
Financial assets at amortised cost	16(a)	8,253,250	123,264	-	8,376,514
Staff loans and advances	15	617,294	829,922	957,084	2,404,300
Deposits and prepayments	15	3,024,068	-	-	3,024,068
Trade receivables	15	95,586,784	-	-	95,586,784
Sundry creditors in debit	15	1,766,087	-	-	1,766,087
Financial assets at fair value through profit or loss	16(b)	-	2,611,158	-	2,611,158
		158,238,178	3,564,344	957,084	162,759,606

25. Financial instruments-risk management (continued)

Categories of financial instruments (continued)

Liquidity risk management (continued)

31 December 2019	Note	1 to 3 months K	3 months to 1 year K	More than 1 year K	Total K
Liabilities					
Trade payables	23	15,423,289	-	-	15,423,289
Debtors in credit	23	1,628,597	-	-	1,628,597
Leave pay	23	-	11,995,120	-	11,995,120
Gratuity	23	-	8,066,391	-	8,066,391
Accruals	23	3,582,924	-	-	3,582,924
Other creditors and provisions	23	4,802,980	-	-	4,802,980
Zambia National Commercial Bank loans	20	-	51,148,336	96,124,928	147,273,264
Stanbic bank Zambia Limited-leases	21	-	6,927,762	4,848,773	11,776,535
Deferred liability	22	-	7,185,735	78,683,965	85,869,700
		25,437,790	85,323,344	179,657,666	290,418,800
Assets - Restated					
Bank and cash balances	17(a)	90,093,439	-	-	90,093,439
Financial assets at amortised cost	16(a)	25,806,350	118,152	-	25,924,502
Staff loans and advances	15	1,879,806	965,698	3,153,624	5,999,128
Deposits and prepayments	15	8,346,223	-	-	8,346,223
Trade receivables	15	137,796,343	-	-	137,796,343
Sundry creditors in debit	15	2,160,558	-	-	2,160,558
Financial assets at fair value through profit or loss	16(b)	-	3,386,571	-	3,386,571
		266,082,719	4,470,421	3,153,624	273,706,764

25. Financial instruments-risk management (continued)

Categories of financial instruments (continued)

Fair value measurements

The information set out below provides information about how the Corporation determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 — Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Corporation considers relevant and observable market prices in its valuations where possible.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

25. Financial instruments-risk management (continued)

Categories of financial instruments (continued)

Fair value measurements (continued)

	Note	2020 Carrying amount	2020 Fair value	2019 Carrying amount	2019 Fair value
Financial assets		K	K	K	K
Bank and cash balance	17(a)	48,990,695	48,990,695	90,093,439	90,093,439
Financial assets at amortised cost	16(a)	8,376,515	8,376,514	25,924,502	25,924,502
Trade receivables	15	95,586,784	95,584,784	137,796,343	137,796,343
Receivables from employees	15	2,404,300	2,404,300	5,999,128	5,999,128
Deposits and prepayments	15	3,024,068	3,024,068	8,346,223	8,346,223
Sundry creditors in debit	15	1,766,087	1,766,087	2,160,558	2,160,558
Financial assets at fair value through profit or loss	16(b)	2,611,158	2,611,158	3,386,571	3,386,571
Tax recoverable	11(c)	-	-	-	-
Interest receivable	15	-	-	-	-
Financial liabilities					
Trade payables	23	23,646,401	23,646,401	15,423,289	15,423,289
Debtors in credit	23	-	-	1,628,597	1,628,597
Deferred liability	22	84,715,363	84,715,363	85,869,700	85,869,700
Other payables and provisions	23	7,611,832	7,611,832	4,802,980	4,802,980
Leave pay	23	14,667,863	14,667,863	11,995,120	11,995,120
Gratuity	23	11,390,068	11,390,068	8,066,391	8,066,391
Accruals	23	12,405,183	12,405,183	3,582,924	3,582,924
Zambia National Commercial Bank	20	290,184,927	290,184,927	147,273,264	147,273,264
Stanbic bank Zambia Limited	21	7,118,308	7,118,308	11,776,535	11,776,535

25. Financial instruments-risk management (continued)

Categories of financial instruments (continued)

Credit risk-trade debtors analysis

	2020			2019		
	Gross	Impairment	Net	Gross	Impairment	Net
	K	K	K	K	K	K
Current	27,187,554	(3,351,873)	23,835,681	50,075,308	(12,532,809)	37,734,525
Past due 0 -30 days	22,758,841	(2,348,808)	20,410,033	44,788,813	(9,401,172)	35,387,641
Past due 31-90 days	6,676,550	(202,382)	6,474,168	9,206,540	(403,246)	8,803,294
Past due 91-120days	1,199,913	(6,529)	1,193,384	4,086,627	(78,463)	4,008,164
Past due 121-180 da	165,101,158	(121,427,630)	43,673,528	101,768,800	(49,714,055)	52,054,745
	222,924,016	(127,337,222)	95,586,794	209,926,088	(72,129,745)	137,796,343

Impairment losses

	2020	2019
	K	K
Movement in impairment provision		
At beginning of the year	72,129,745	61,238,329
Provisions write off during the year	-	-
Charge during the year	55,207,477	10,891,416
At year end	127,337,222	72,129,745

26. Related party transactions

(a) Identification of related parties

The Corporation undertakes to disclose the nature of related party relationships, and types of related party transactions necessary for the understanding of the annual financial statements.

In the context of the Corporation related party transactions include any transactions carried out with any of the following:

- Government ministries and parastatals;
- Board members; and
- Key management personnel

The transactions to be reported are those that affect the Corporation in making financial and operating decisions.

26. Related party transactions (continued)

Categories of financial instruments (continued)

(b) Transactions with related parties

(i) Key management compensation

	2020 K	2019 K
Salaries and other short term employee benefits	8,906,425	7,498,815
Termination benefits	6,511,335	5,167,472
(ii) Directors fees	2,325,473	3,138,389
(iii) Surveillance radar system-GRZ	-	-
(iv) Aerodrome support-GRZ	3,335,202	3,872,262

(c) Balances due from related parties

Executive Directors and key management

(i) Loans and advances	957,083	2,033,676

The Directors are of the opinion that all these related party transactions were conducted on arms length basis and commercial terms.

27. Dividend

	2020 K	2019 K
The proposed dividend (K0.243 per share)	-	5,000,000

The Directors do not recommend a dividend for the year ended 31 December 2019 due to the post effects of the coronavirus pandemic. A cash buffer is required to sustain the operations of the Corporation.

28. Contingent liabilities

	2020 K	2019 K
	-	-

Court cases

Certain legal cases are pending against the Corporation in the courts of law. In the opinion of the Directors and the Corporation's lawyers, none of these cases will result in any material loss to the Corporation for which provision is required.

29. Capital commitments

	2020 K	2019 K
Approved by the Board but not contracted	-	-

30. Effects of Covid -19

In December 2019, a novel strain of coronavirus was reported in China. Subsequently the virus has spread across the world resulting in major disruption to economic activities across the world including Zambia. According to International Monetary Fund (IMF), the virus outbreak will slow global economic growth this year, but the extent of the drop remains unclear. Economic effects of the COVID-19 are two-fold namely through economic channels on the supply side such as factory closures, reduced work hours, cutbacks in service provision and supply chain disruption. On the demand side, reduced private consumption, cancellation of business and tourism travels and education and entertainment services. Currently the containment measures around the world are quarantine, travel bans and restrictions, lockdowns and closure of public places. Airport Council International (ACI) estimates above US$46 billion total airport industry losses for 2020. Passenger traffic is expected to decline between 20% to 50% between March and June depending on how the situation will evolve.

The travel bans across the globe has negatively impacted the aviation industry. From the perspective, Zambia Airports Corporation Limited, three international airports namely SMKIA, HMNIA and Mfuwe have been closed for international flights in order to effectively manage the spread of the coronavirus. In March the Corporation received notification of suspension of flights from all the major carriers up to end of May, however, lifting up of the suspension will be subject to how the COVID-19 will evolve across the globe.

From the Corporation financial perspective, this has eroded the aviation revenue as 90% of the operating revenue accounts for aeronautical income.

To mitigate the loss in revenue, the management has put up stringent measures to manage the costs during this lean period which includes revising operating hours for all airports, suspending recruitments, suspending granting of staff advances, loans and also allowed staff to take up their leave to reduce the cost to the Corporation. Most capital projects have been deferred to next financial year.

Management has further engaged the Company's lenders on deferment of payment of the principle portion of loans and leases and rescheduling of FX Forward obligations from April to August 2020.

As the COVID-19 pandemic is complex and rapidly evolving, the Company's plans as described above may change. At this point, management cannot reasonably estimate the duration and severity of this pandemic, nor can management estimate the full impact on the business, results of operations, financial position and cash flows.

31. Prior year adjustment

	As previously reported	(Adjustment)	Restated
Revenue	591,498,024	(2,192,026)	589,305,998
Income tax expense	(20,167,497)	(7,645,478)	(12,522,019)
(Loss)/profit after tax	114,260,205		119,713,657
Other comprehensive income	-		-
Total comprehensive income	114,260,205	5,453,452	119,713,657

The adjustments of K7,645,478 is the correction of the over statement of deferred tax in 2019. The revenue of K2,192,026 adjustment was with regards to the reversal of two duplicated sales invoices for Rwandi Air and Staravia Air in 2019. The net effect of these two transactions is K5,453,451.94 which has been adjusted against accumulated profit in the statement of changes in equity.

32. Events after the reporting date

There were no significant events after the reporting date requiring disclosure or adjustment to the financial statements.

APPENDIX 1 – DETAILED STATEMENTS OF COMPREHENSIVE INCOME

	2020 K	Restated 2019 K
Revenue	269,736,479	589,305,998
Other income		
Capital grants amortised	18,186,549	18,460,057
Revenue grant received-GRZ	7,798,574	4,007,819
Sundry income	4,133,178	12,302,988
Profit on disposal	-	288,721
Total other income	30,118,301	35,059,585
Loss on disposal	(235,742)	-
Finance costs		
Interest on loans	(21,224,818)	(13,506,791)
Interest income on short term investments	5,712,745	7,748,972
Net exchange gain	12,975,523	27,807,214
Net finance costs	(2,536,550)	22,049,395
Less: **Expenditure** Depreciation		
Employee costs	(81,061,869)	(47,180,636)
Salaries and wages	(248,236,281)	(220,322,566)
Other staff costs	(46,717,296)	(58,303,151)
	(294,953,577)	(278,625,717)
Other operating expenses (Appendix 2)	(176,306,664)	(188,372,949)
Profit before tax	(255,239,624)	132,235,676
Income tax	13,457,743	(12,522,019)
Profit after tax	(241,781,881)	119,713,657

APPENDIX 2 : OTHER OPERATING EXPENSES

Other operating expenses

	2020 K	2019 K
Printing and stationary	4,060,744	7,146,865
Books and periodicals	419,893	81,760
Subscriptions-Corporation	1,984,315	790,967
Office expenses	363,659	296,535
Postage	147,704	402,138
Telephone and internet	2,310,871	3,128,106
Cleaning materials	2,264,444	1,927,026
Travel expenses – local	3,256,830	6,843,062
Travel expenses-foreign	350,120	4,996,510
Electricity	7,376,220	5,533,245
Water	256,577	473,768
Land rates	5,821,363	3,706,292
Hire of transport	7,235,758	7,450,194
Aviation security	2,707,337	3,048,295
Security expenses	2,721,949	4,102,661
Cargo and mail	5,889,954	18,143,439
Cleaning services	1,902,342	3,087,063
SITA charges	14,705,414	16,985,071
Insurance	1,362,211	1,653,880
Staff uniforms	148,961	17,952
Protective clothing	1,463,102	803,358
Firefighting form	462,857	1,110,629
Motor vehicle expenses	4,401,276	5,259,927
Repairs and maintenance	19,134,370	37,652,614
Consultancy	10,748,390	9,659,467
Legal fees	84,797	496,904
External audit	434,536	611,382
Directors` fees and expenses	2,325,473	3,138,389
Balance carried forward	104,341,467	148,547,499

APPENDIX 2: OTHER OPERATING EXPENSES (CONTINUED)

Other operating expenses (continued)

	2020 K	2019 K
Balance brought forward	104,341,467	148,547,499
Entertainment	56,755	838,955
Marketing	56,500	135,980
Corporate promotions and advertising	1,740,605	4,504,657
Donations	388,395	472,932
Tender evaluation expenses	269,955	366,533
Licensing	645,889	2,812,855
Regulatory expenses	1,706,308	1,927,036
VAT expenses	(716,595)	(142,143)
Sundry expenses	34,374	29,785
Beverages	678,432	937,996
Bank charges	1,892,684	1,401,461
IATA charges	4,806,223	9,663,051
Debt impairment provision	55,207,477	10,891,416
Greenfield airport expenses	398,185	1,096,333
Mulungushi VIP expenses	385,741	394,884
Aerodrome support	3,335,202	3,872,262
ERP expenses	693,490	621,457
Provision for impairment of obsolete inventories	439,678	-
Total expenditure	176,360,765	188,372,949

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