2017 ANNUAL REPORT

www.zacl.co.zm

Zambia AIRPORTS Corporation Limited

TABLE OF
CONTENTS

Higlights	04
Statement by the Chairperson of the Board of Directors	06
Managing Director’s Report	18
Financial Statement	39
Statement of Director’s responsibilities	42
Independent Auditors Report	44
Statement of Comprehensive Income	48
Statement of financial position	49
Statement of changes in equity	50
Statement of cash flow	51
Notes to financial statements	69
Detailed statement of comprehensive income	87

VISION

To be the leading provider of world class airport and air navigation services

MISSION

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

FINANCIAL YEAR ENDING 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Dec 2017 K	Dec 2016 K	% Variation
Turnover	417,345,050	416,319,596	0
Other Income	15,699,490	17,508,920	(10.3)
Finance Charges	17,664,714	19,990,204	(11.6)
Profit/ (Loss) before tax	45,504,180	80,818,958	(43.6)
Cash & Cash Equivalents	32,582,325	44,926,923	(27)
Asset Capitalisation	32,085,965	57,476,283	(44)
Total Assets	**741,869,397**	**768,435,295**	**(3.4)**

FINANCIAL YEAR ENDING 31 DECEMBER 2017

TRAFFIC HIGHLIGHTS

	Dec 2017	Dec 2016	% Variation
Total Passenger Numbers	1,748,200	1,622,263	8
Domestic	305,115	274,344	11
International	1,443,085	1,347,919	7
Paying Passengers	612,275	572,084	7
Domestic	145,071	126,431	15
International	467,204	445,653	5
Total Aircraft Movements	**53,687**	**58,425**	**(8)**

01. BOARD CHAIRPERSONS STATEMENT

1.1. OPERATIONAL RESULTS

It is with great pleasure that I present the Annual Report on the operations of Zambia Airports Corporation Limited for the year ended 31 December 2017.

The Corporation's operating revenue was K417 million for the financial year ended December 2017 compared to K416 million for the year ending December 2016. After expenses of K387million, this resulted into a profit after tax of K28.3Million compared to profit after tax of K41.5 Million in the year ending December 2016.

FINANCIAL HIGHLIGHTS

	December 2017 K	December 2016 K
OPERATING INCOME		
Airport Services	362,954,874	376,446,683
Air Navigation Services	54,390,176	39,872,913
Operating Income	**417,345,050**	**416,319,596**
Other Income	15,699,490	22,499,457
TOTAL	**433,044,540**	**438,819,054**
EXPENSES	387,540,360	354,715,147
Tax	17,188,504	39,334,689
PROFIT/(LOSS) AFTER TAX	**28,315,676**	**41,484,269**

The one million increase in revenue is in contrast to the 8.5% increase in passenger numbers. This is because of the lower exchange rates in 2017 compared to 2016. The average exchange rates in 2016 were 10.3402 whilist in 2017 it is 9.5576. The Corporation invoices 80% of its activities in dollars but reports all transactions in kwacha.

In January 2017 the Corporation commenced implementation of the five (5) years Strategic Plan 2017 to 2021 and is the fourth in a series of the company's action plans since 1989.

The main thrust of the Strategic Plan is:

- Provide Quality Airport Services
- Provide Quality Air Navigation Services
- Provision of ultra-modern Infrastructure
- Ensuring Commercial Viability
- Promoting Social and Economic Development
- Providing Aviation Safety and Security
- Promoting Environmental Sustainability
- Development and Retention of Skilled and Competent employees
- Attaining high standard of Quality Assurance

The above strategic focus will be attained by;

1. Construction and modernization of infrastructure and equipment;
2. Increasing income generating streams ;
3. Improving the image of the Corporation;
4. Enhancing of operational efficiency;
5. Improving working environment and providing competitive conditions of service.
6. I am pleased to report that the Corporation recorded achievements during the period under review. Some of the notable achievements include:
    - Construction of the terminal building, shopping mall , hotel and office block at KKIA is progressing well. This will ultimately help to broaden the Corporation's revenue base and in particular increase non-aviation revenue.
    - Construction of the Kenneth Kaunda International Airport (KKIA) terminal and related buildings are now on average at 66% completion stage.
    - The construction of the Greenfield Copperbelt International Airport (CIA) commenced in 2017 and currently stands at 7.5% completion.
    - The prudent utilization of resources has enabled the Corporation to declare dividends in two conservative years (2015 to 2016).
    - Security upgrades were made at all airports with CCTV media upgrades at all airports and perimeter security fence at KKIA being completed.

1.2. STRATEGIC FOCUS

The Corporation will continue to channel its efforts on the following:

- Enhancing Customer Service
- Continually improving operating efficiencies
- Attracting and inviting more airlines to come to Zambia
- Investing in airport infrastructure at all airports
- Growing our non- aeronautical revenue base
- Investing in a robust management information system that integrates all the systems in the Corporation so as to improve flow of information as well as eliminate waste.
- Continue lobbying for a national airline domiciled in Lusaka to make Zambia a hub.

The Corporation's revenue is composed of aeronautical and non- aeronautical revenue. Aeronautical revenue comprises of passenger service charge, airport taxes, and aircraft charges. This accounts for 90% of the total revenue, while the balance relates to non-aeronautical revenue. Non aeronautical comprise of car park, rentals, concessions and advertising.

The major driver of both income and expenses for aeronautical income is passenger and aircraft numbers. For 2017, the respective airports performed as follows;

Airport Income	**2017** **K**	**2016** **K**
Kenneth Kaunda International Airport	259,635,051	308,235,004
Simon Mwansa Kapwepwe International Airport	49,948,714	48,361,304
Harry Mwaanga Nkumbula International Airport	52,460,872	54,052,052
Mfuwe International Airport	5,218,994	5,671,236

The total passenger traffic for the financial year under review and for the preceding year is summarized below.

YEAR	DESCRIPTION	NUMBERS	GROWTH
Dec 2017	Domestic Passengers	305,115	11.2%
Dec 2017	International Passengers	1,443,085	7.1%
	Total Passengers	**1,622,263**	
Dec 2016	Domestic Passengers	274,344	(7.2)%
Dec 2016	International Passengers	1,347,919	4.4%
	Total Passengers	**1,622,263**	

A further analysis of Passenger numbers by Airport

Airport	2017	2016	Growth
Kenneth Kaunda International Airport	1,224,163	1,147,422	6.7%
Simon Mwansa Kapwepwe International Airport	256,949	237,384	8.2%
Harry Mwaanga Nkumbula International Airport	239,875	209,480	14.5%
Mfuwe International Airport	27,213	27,977	(2.7%)

There was a general increase in passenger movement at all the airports except Mfuwe International Airport which recorded a 3% reduction from last year.

These numbers were driven by the following factors.

- Rwandair doubled the frequency of flying into Kenneth Kaunda International Airport in 2017 compared to the same period in 2016. This was in addition to the Harare flights.
- There were increased frequencies by Royal Air Charters and Proflight on local routes.
- Stable and strengthened currency resulting in the rebound of small merchants and traders involved in cross boarder trading particularly to Dubai and China
- Mahogany Air started domestic operations to Ndola and Livingstone and increased frequencies within a short space of time.

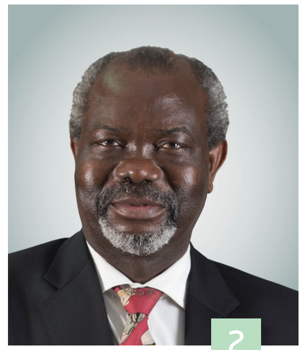
1.3. CORPORATE GOVERNANCE

The Corporation governance structures are premised on transparency, responsibility, accountability and integrity. The roles of the Government, Board, Management and staff are well defined to avoid any conflict of interests. During the year, the composition of the Board of Directors were as follows:

BOARD MEMBERS

1. **Ms Mubanga B Musakanya**
   Chairperson Retired – 31 March 2017
2. **Mr Lazarous Chota**
   Retired – 31 March 2017
3. **Ms Kutemba Konga**
   Retired – 31 March 2017
4. **Mr Boniface Njovu**
   Retired – 31 March 2017
5. **Mr Mukuli Chikuba**
   Retired – 31 March 2017
6. **Mr Charles Mushota**
   Retired – 31 March 2017
7. **Eng Misheck Lungu**
   Retired – 31 March 2017
8. **Mr Robinson Misitala**
   31 December 2017


1


2


3


4


5


6


7


8

1. **Mr Milingo Lungu**
   Chairperson
   Appointed 2nd August 2017
2. **Ms Prisca Mwansa Chikwashi**
   Appointed 2nd August 2017
3. **Mr Moonga Mumba**
   Appointed 2nd August 2017
4. **Mr Sunday Chanda**
   Appointed 2nd August 2017
5. **Ms Patricia Pakatamanja Zimba**
   Appointed 2nd August 2017
6. **Mrs Pamela Chibonga Kabamba**
   Appointed 2nd August 2017
7. **Mr Nicholas Chikwenya**
   Appointed 2nd August 2017
8. **Mr Robinson Misitala**
   Retired 31 December 2017


1


2


3


4


5

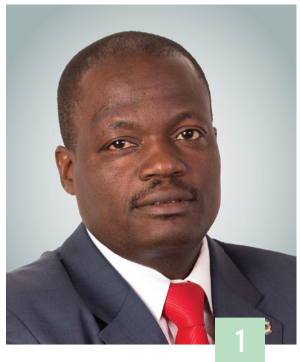

6

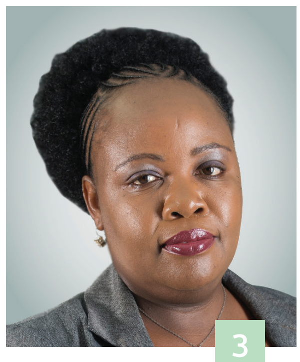

7


8

MANAGEMENT

1. **Mr Robinson Misitala**
   Managing Director
2. **Mr Frank Chinambu**
   Director - Air Navigation Services
3. **Agness Chaila**
   Director - Airport services
4. **Mr. Tapiwa Chikumbu**
   Finance Director
5. **Mr Gilford Malenji**
   Director - Human Resources
6. **Mrs Maggie B Kaunda**
   Corporation Secretary





AIRPORT MANAGERS

1. **Mr Friday M Mulenga**
   Airport Manager
   Kenneth Kaunda International Airport

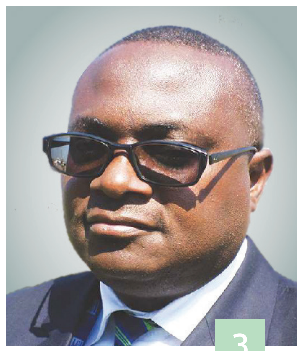
2. **Mr Augustine M Chalwe**
   Airport Manager
   Mfuwe International Airport

3. **Mr Joseph Mumbi**
   Airport Manager
   Simon Mwansa Kapwepwe
   International Airport

4. **Mr Vivian M Sikanyela**
   Airport Manager
   Harry Mwaanga Nkumbula
   International Airport


1


2


3


4

MAIN BOARD MEETINGS - MEMBERSHIP AND ATTENDANCE

Name	Meeting held	Meetings attended
Ms Mubanga B Musakanya - Chairperson	1	1
Mr Lazarous Chota	1	1
Ms Kutemba Konga	1	1
Mr Charles Mushota	1	1
Mr Boniface Njovu	1	1
Mr Robinson Misitala	1	1
Eng. Misheck Lungu	1	1
Mr Mukuli Chikuba	1	1
Mr Milingo Lungu	2	2
Ms Prisca Mwansa Chikwashi	2	2
Mr Moonga Mumba	2	2
Mr Sunday Chanda	2	1
Ms Patricia Pakatamanja Zimba	2	2
Mrs Pamela Chibonga Kabamba	2	1
Mr Nicholas Chikwenya	2	2
Mr Robinson Misitala – MD ZACL	3	3

There were four Special Board Meetings held during the year.

APPOINTMENTS, REMUNERATION AND HUMAN RELATIONS COMMITTEE

MEMBERSHIP AND ATTENDANCE

Name	Meetings Held	Meetings Attended
Mr Lazarous Chota - Chairperson	1	1
Ms Namucana Musiwa	1	1
Mr Bannie Lombe	1	1
Mr Boniface Njovu	1	1
Mr Robinson Misitala	1	1

There was no Committee from April – December 2017.

FINANCE AND CAPITAL PROJECTS COMMITTEE

MEMBERSHIP AND ATTENDANCE

Name	Meetings held	Meetings attended
Mr Nonny Mwanyungwi - Chairperson	1	1
Mr Michael Mbulo	1	1
Mr George Sitali	1	1
Mr Robinson Misitala	1	1

There was no Committee from April – December 2017.

AUDIT, RISK AND COMPLIANCE COMMITTEE

MEMBERSHIP AND ATTENDANCE

Name	Meetings held	Meetings attended
Ms Kutemba Konga - Chairperson	1	1
Mr Joe M Chisanga	1	1
Mr George Ndongwe	1	1
Mr Stanford Mtamira	1	1

There was no Committee from April – December 2017.

1.4 CORPORATE SOCIAL RESPONSIBILITY

Zambia Airports Corporation Limited has for many years been engaged in various acts of Corporate Social Responsibility, helping communities in close proximity to our four airports as well as providing a wide array of support towards institutions and facilities whose work is in line with our CSR objectives.

The Corporation remains deeply committed to making a substantial and tangible impact in the communities in which we operate and has focused on long term sustainable build projects, literacy programs and cultural preservation.

Our social investment is directed at projects intended to better the lives of the underprivileged Zambian.

A. EDUCATION

Education is cardinal for the growth of any society and ZACL prides itself in championing this very important cause by continuing to sponsor literacy programs while supporting technical education and skills transfer. It is a well-known fact that literacy is the foundation for any and all education. It should not be regarded as a privilege but rather should be accessible to all. Zambia Airports Corporation Limited seeks to improve accessibility and availability of literacy services and materials by the promotion of reading, writing, speaking and listening.

B. ORPHANS & VULNERABLE CHILDREN

ZACL takes great pride in empowering the underprivileged in our society and have made concerted efforts to make a difference in the lives of children who live under disparaging circumstances. Through our partnership with Habitat for Humanity, we aim to build and provide orphans and vulnerable children as well as those who may be looking after them with a new home in their area of residence. Of course there are many other amenities that these children lack which is why throughout the year, ZACL identifies and provides basic essentials to facilities and institutions looking after orphans and vulnerable children. The Corporation also arranges special Christmas visits to our airports with a number of treats in store for the children.

C. HEALTH

Through our partnership with Habitat for Humanity, the Corporation provides clean drinking water to communities around the country.

ZACL also continues to support numerous health initiatives and encourages its members of staff to engage in various sports disciplines as a way of keeping fit and healthy while maintaining overall wellness. Under the year of review the Corporation launched its first ever wellness policy. The wellness program provides a framework for monitoring workplace impact mitigation and response management. The program is also structured to give employees an opportunity for regular medical check-ups.

D. CULTURAL HERITAGE

In order for future generations to enjoy the nation's cultural heritage, ZACL continues to be a leading player in the industry and champions the cause by sponsoring numerous traditional ceremonies the rich Zambian culture play host to. Being affiliated to the travel industry we acknowledge the role we need to play in order to ensure our cultural practices continue and are passed on from generation to generation.

02. MANAGING DIRECTOR'S REPORT

2.1 PRINCIPAL ACTIVITIES

I am delighted to report on the activities of Zambia Airports Corporation Limited for the year ending December 2017. The Corporation activities were focused on delivering our strategic objectives of:

- Increasing profitability by maximizing revenue and minimizing costs
- Enhancement of operational efficiency
- Modernization of infrastructure, machinery and equipment
- Maintain high level of quality assurance to meet regulatory compliance & service standards
- Investing in human capital by having continuous professional and skills development training.

The Corporation recorded a profit before tax of K45.5million and a profit after tax of K28.3million. This is 31% lower compared to last year on account of the lower exchange rate in 2017 compared to the previous year. In terms of passenger movements, the Corporation recorded a 7.8% growth with the major growth coming from domestic sector.

2.2 AIRPORT SERVICES DIVISION

The responsibilities of the Airport Services Division are as follows:

- Sales and Marketing Business
- Airport Safety and Security.
- Ground Handling Services
- Fire and Rescue Services
- Infrastructure Development and maintenance

The Division's income is broken down into aeronautical revenue that is derived from tariffs consisting of aircraft landing, aircraft parking charges and passenger charges, Aviation Security, Infrastructure development Fees and Ground handling service. Non-aeronautical revenue is derived from commercial activities that include car parks, retail operations, rental concessions, advertising, and property leases.

2.3 BUSINESS ENVIRONMENT

Aeronautical revenue accounted for 91.34% of the company's performance for the year under review whilst 8.66% was generated by non-aeronautical revenue.

The Corporation's main income contributor remains Passenger Service Charge which accounted for 32.84% of total revenues. With increased traffic into our airports we recorded a year on year growth in passenger numbers of 7.8%

2.4 NEW ROUTE DEVELOPMENTS BUSINESS

During the year under review, new routes where introduced but the period also saw a number of reductions in terms of frequency.

Positive factors

- Etihad Airlines introduced flights to Lusaka and Livingstone through a codeshare with Kenya Airways
- Mahogany Airlines reintroduced flights to Ndola and later extended their operations to Livingstone
- Fastjet expressed interest to commence domestic flights into Zambia

Negative factors

- Rwandair increased flights from Kigali to Johannesburg via Lusaka. They however later reduced the flights
- Fastjet Airlines reduced flights to Dar and downgraded the equipment from the A319 to an Embrier 190
- South African Express suspended their operations into Lusaka
- Air Namibia reduced the equipment size from an A319 to a CRJ.

Below is a summary of passenger movement performance for 2017 compared to the year 2016

2017		KKIA	SMKIA	HMNIA	MFW	TOTAL
Jan-Dec	Domestic	172,524	64,343	42,469	25,779	305,115
	International	1,051,639	192,606	197,406	1,434	1,443,085
	Total	**1,224,163**	**256,949**	**239,875**	**27,213**	**1,748,200**
2016						
	Domestic	157,423	54,372	36,818	25,731	274,344
Jan-Dec	International	989,999	183,012	172,662	2,246	1,347,919
	Total	**1,147,422**	**237,384**	**209,480**	**27,977**	**1,622,263**
% Growth						
	Domestic	9.6	18.3	15.3	0.2	11.2
	International	6.2	5.2	14.3	(36.2)	7.1
	Total	**6.7**	**8.2**	**14.5**	**(2.7)**	**7.8**

2.5 GENERAL PASSENGER MOVEMENT

The general passenger movement for the period January to December, 2017 for all four airports; was 1,748,200 representing 7.8% growth over 2016 figures. This represents total domestic passenger numbers of 305,115 and 1,443,085 for international passenger movements signifying positive growths in international movements of 7.1% and 11.2% in domestic movements.

The respective airports passenger performance was as follows;

Airport	Passenger No.
Kenneth Kaunda International Airport	1,224,163
Simon Mwansa Kapwepwe International Airport	256,949
Harry Mwaanga Nkumbula International Airport	239,875
Mfuwe International Airport	27,213

Generally, international passenger movement performance was positive at KKIA, SMKIA and HMNIA spurred by increased frequencies by Rwandair, Kenya Airways, Mahogany Air and Proflight Zambia (at KKIA).

KKIA, SMKIA and HMNIA recorded positive growths on both the domestic and international front while MFU recorded positive growth on the domestic front and negative growth on the international front.

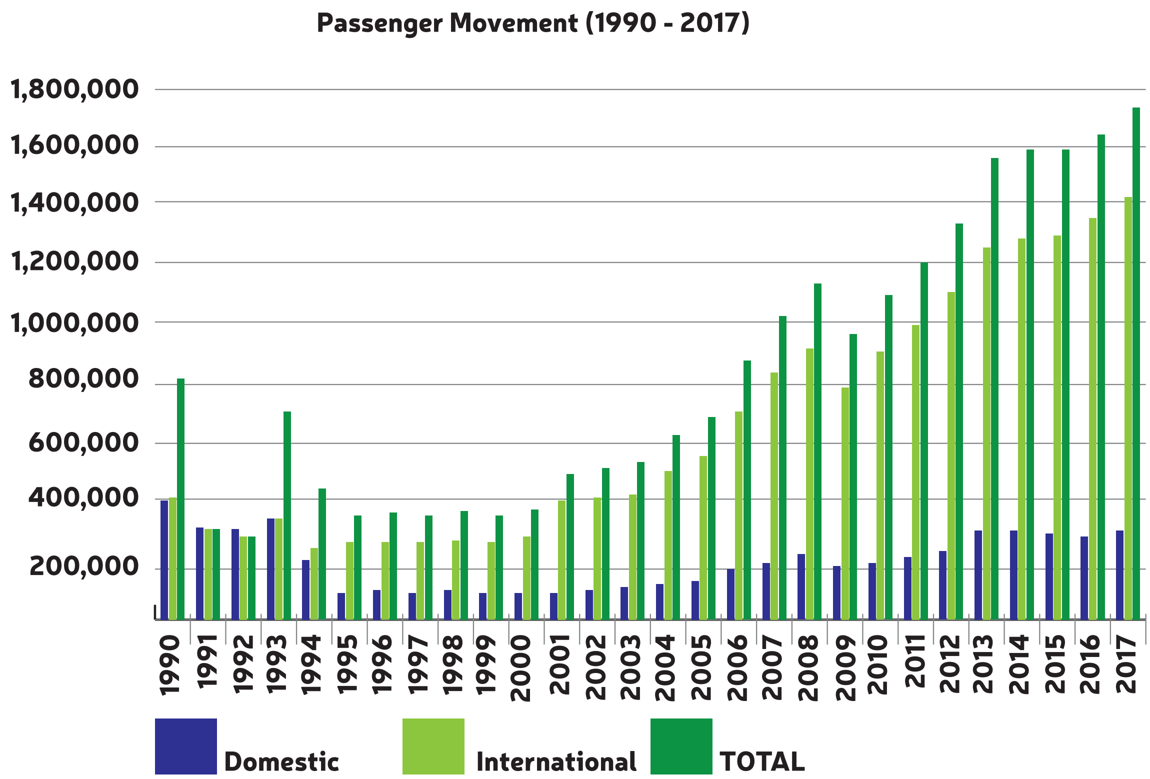
Notable endogenous and exogenous factors that affected the Company's cyclical performance, both positively and negatively, in 2017 where;

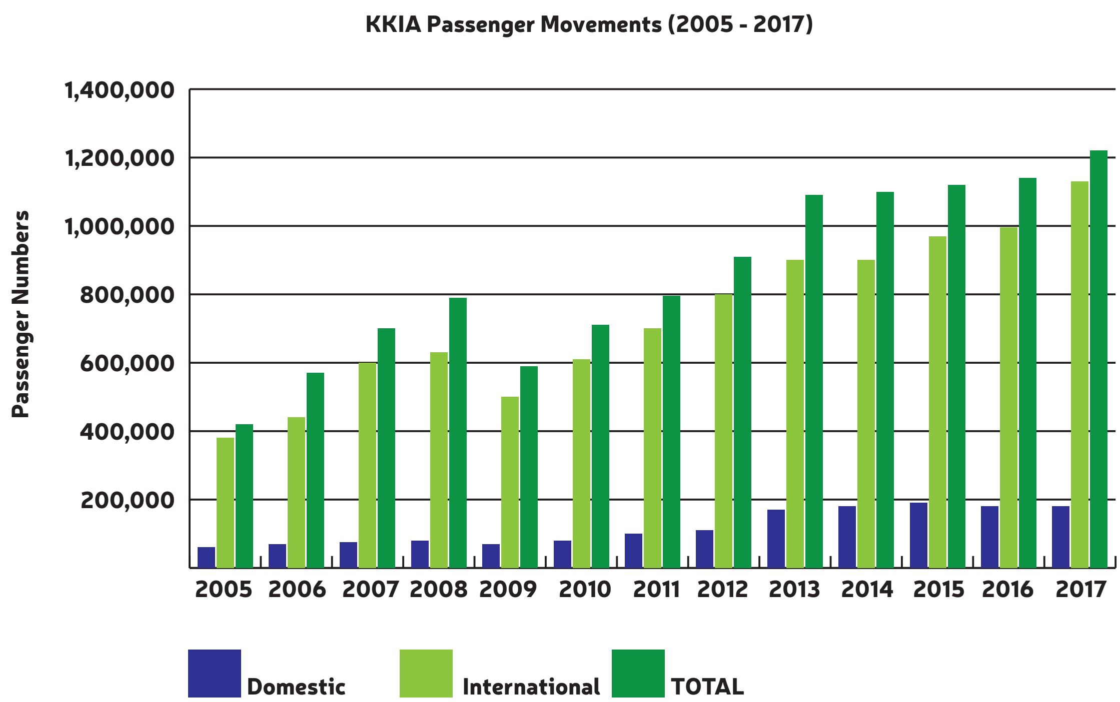
Positive factors

- RwandAir doubled the frequency of flying into Kenneth Kaunda International Airport in 2017 compared to the same period last year. This was in adition to the Harare flights.
- Increased frequencies by Royal Air Charters and Proflight.
- Stable and strengthened currency resulting in the rebound of small merchants and traders involved in cross boarder trading particularly to Dubai and China
- Zambia was increasingly used as a MICE (Meetings, Incentives, Conferences and Exhibitions) venue. This particularly positively affected traffic at KKIA and HMNIA.
- Mahogany Air started domestic operations to Ndola and Livingstone and increased frequencies within a short space of time.
- Proflight introduced flights to Kasama and Solwezi from Ndola.

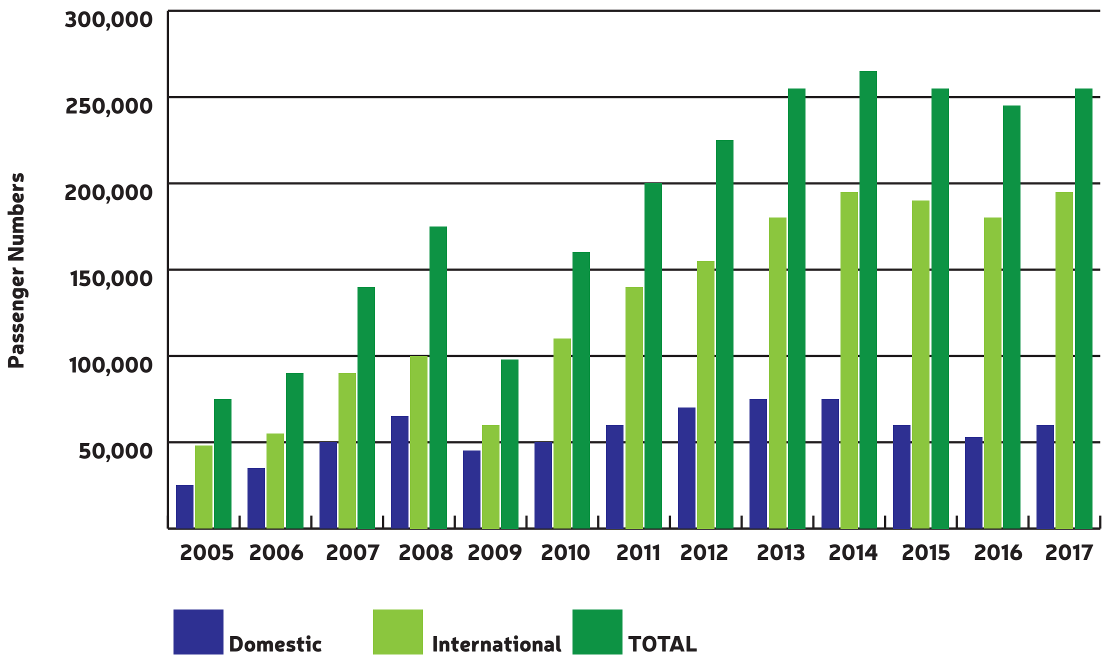
Negative factors

- Increased competition from Victoria Falls International Airport in Zimbabwe benefitting from deliberate government policy. The government of Zimbabwe introduced incentives on landing charges for all startup airlines. They further have reduced fees at Victoria Falls Airport and compelled hotel owners to reduce their room rates.
- Reduced bed-space in Mfuwe due to closure of some lodges such as lion camp which has now been turned into an office park.
- Suspension of flights by Air Botswana and SA Express due to operational reasons

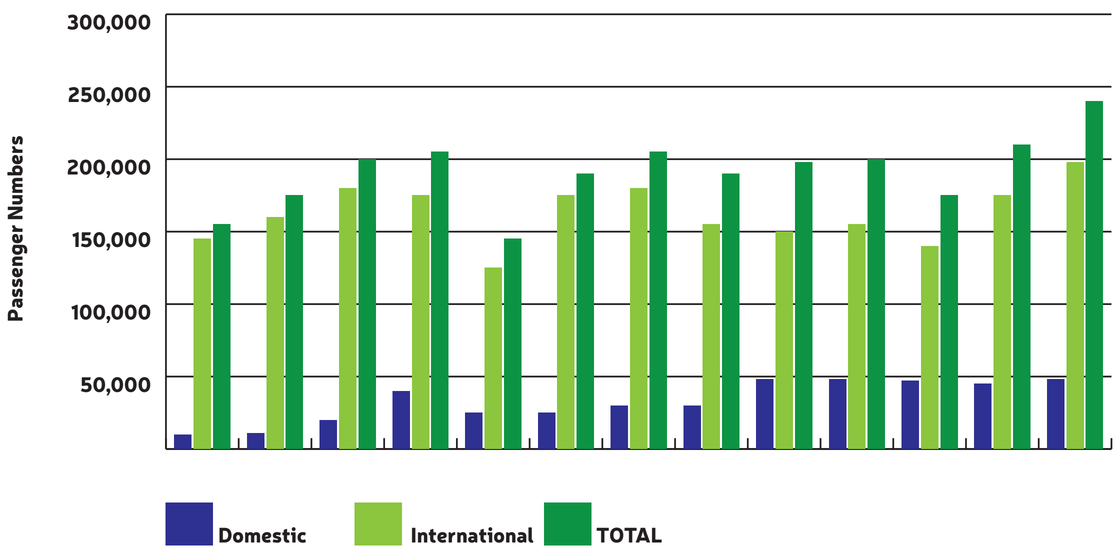

Passenger Movement (1990 - 2017)
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
Domestic
International
TOTAL

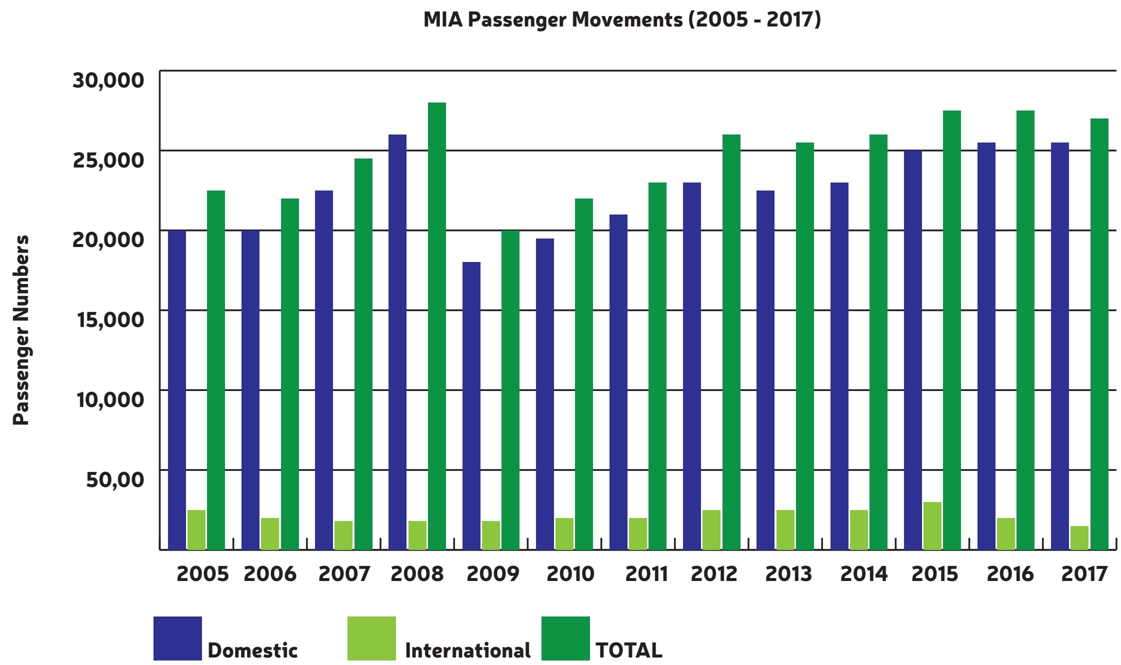

KKIA Passenger Movements (2005 - 2017)
Passenger Numbers
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
Domestic
International
TOTAL

SMKIA Passenger Movements (2005 - 2017)



HMNIA Passenger Movements (2005 - 2017)




MIA Passenger Movements (2005 - 2017)
Passenger Numbers
30,000
25,000
20,000
15,000
10,000
50,00
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Domestic
International
TOTAL

2.6 PAYING PASSENGER MOVEMENTS

The Corporation recorded a positive growth of 7.03% in paying passenger movements when compared to the year 2016. This was due to positive growths recorded at KKIA, HMNIA and SMKIA in both international and domestic paying passenger movements, on the other hand MFW recorded negative growths in both domestic and international paying passenger movements. The performance was however 2.9% below the projected performance for 2017. Harry Mwaanga Nkumbula International Airport was the only airport which recorded a positive performance against the budget at 11% with KKIA underperforming at 3.9%.

STATION	PASSENGER CATOGORY	2016 FINANCIAL YEAR				2017 FINANCIAL YEAR		
		ACT	BUD	VAR	% DIFF	ACT	BUD	VAR
KKIA	Dom	68,546	73,745	(5,199)	(7.58)%	77,756	72,795	4,961
	Int.	312,413	321,902	(9,489)	(3.04)%	328,487	332,084	-3,597
SUB TOTAL		**380,959**	**395,647**	**(14,688)**	**(14,688)**	**406,243**	**395,647**	**1,364**
SMKIA	Dom	26,347	28,283	(1,936)	(7.35)%	32,597	26,534	6,063
	Int.	51,189	61,954	(10,765)	(21.03)%	56,325	56,722	-397
SUB TOTAL		**77,536**	**90,236**	**(12,700)**	**(12,700)**	**88,922**	**83,256**	**5,666**
HMNIA	Dom	18,792	20,775	(1,983)	(10.55)%	22,188	20,375	1,813
	Int.	81,045	68,050	12,995	16.03%	81,571	85,898	-4,327
SUB TOTAL		**99,837**	**88,825**	**11,012**	**11,012**	**103,759**	**106,273**	**-2,514**
MFUWE	Dom	12,746	12,832	(86)	(0.67)%	12,530	13,174	-644
	Int.	1006	938	68.48	6.81%	821	1,019	-197.66
SUB TOTAL		**13,676**	**13,769**	**(17)**	**(17)**	**13,351**	**14,192**	**-841**
CONSOLI-DATED	Dom	126,431	135,634	(9,203)	(7.28)%	145,071	132,877	12,194
	Int.	445,653	452,844	(7,191)	(1.61)%	467,204	475,723	-8,519
SUB TOTAL		**572,084**	**588,478**	**(16,394)**	**(16,394)**	**612,275**	**608,600**	**3,6750**

2.7 AIRCRAFT MOVEMENT

During the period January to December, 2017, the Corporation recorded total aircraft movements of 53,687 compared to 58,425 in 2016 giving us a (8) % negative growth.

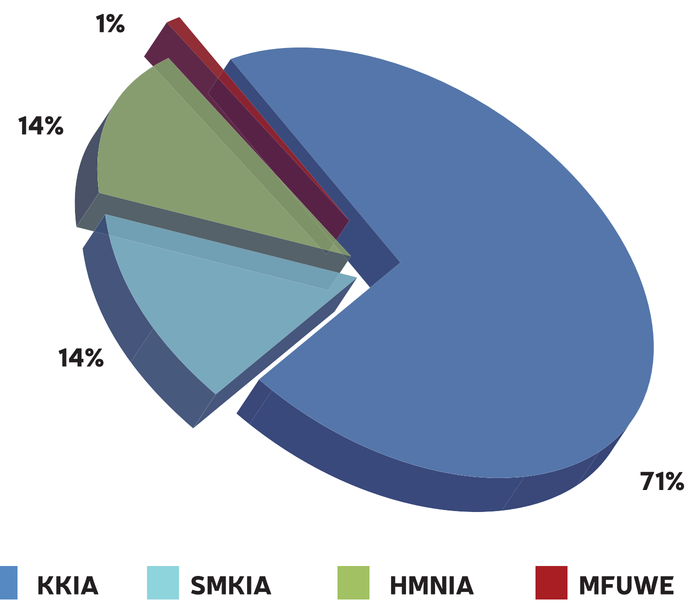
Airports	Aircraft movement
Kenneth Kaunda International Airport	34,070
Simon Mwansa Kapwepwe International Airport	8,767
Harry Mwaanga Nkumbula International Airport	8,219
Mfuwe International Airport	2,631

Harry Mwaanga Nkumbula, Mfuwe International Airports, Simon Mwansa Kapwepwe and Kenneth Kaunda, recorded negative growths of (17.7)%; (7.9)%; (7.6)% and (5.6)% respectively. The reasons given as affecting passenger movement are therefore the same as in this case (See table below).

YEAR	Domestic	% Change	International	% Change	TOTAL	% Change
2007	22,828	9.10%	22,023	34.29%	44,851	20.17%
2008	32,464	42.21%	19,670	(10.68)%	52,134	16.24%
2009	24,515	(24.49)%	18,359	(6.66)%	42,874	(17.76)%
2010	34,726	41.65%	22,357	21.78%	57,083	33.14%
2011	41,774	20.30%	25,164	12.56%	66,938	17.26%
2012	38,189	(8.58)%	26,287	4.46%	64,476	(3.68)%
2013	38,330	0.37%	27,908	6.17%	66,238	2.73%
2014	40,453	5.54%	26,594	(4.71)%	67,047	1.22%
2015	38,648	(4.46)%	27,745	4.33%	66,393	(0.98)%
2016	31,042	(19.68)%	27,383	(1.30)%	58,425	(12.00)%
2017	28,312	(8.9)%	25,375	(7.33)%	53,687	(8.11)%

2.8 TOTAL REVENUE CONTRIBUTION BY AIRPORT

AIRPORT	ACTUAL	BUDGET	VARIANCE	% VARIANCE	% CONTRIBUTION
KKIA	259,635,050	288,012,877	(28,377,826)	-10.93%	71%
SMKIA	49,948,714	52,655,150	(2,706,437)	-5.42%	14%
HMNIA	52,460,872	56,658,385	(4,197,513)	-8.00%	14%
MFUWE	5,218,994	5,071,999	(146,995)	2.82%	1%
TOTAL	**367,263,631**	**402,398,411**	**(35,134,780)**	**-9.57%**	**100%**



2.9 REVENUE CONTRIBUTION BY PRODUCT CATEGORY AIRPORT SERVICES

The total income made by the division was **K 367,263,631** of which **K 335,473,383,** representing 91.34%% was aviation income and K 31,790,247 representing 8.66%was from non-aviation income. Below is a presentation of the percentage contribution by category;

AERONAUTICAL REVENUE

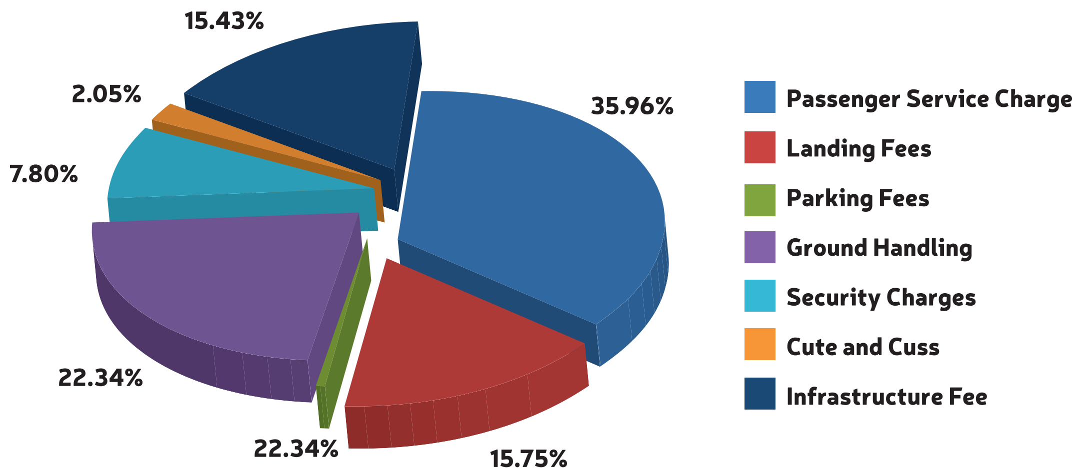
2017	**Revenue K**	**% Contribution**
Passenger Service Charge	121,339,385	32.84%
Landing Fees	53,314,722	14.39%
Parking Fees	2,397,361	0.62%
Ground Handling	76,505,783	20.41%
Security Charges	26,089,296	7.12%
Cute and Cuss	6,921,883	1.87%
Infrastructure Fee	51,562,900	14.10%
SUB TOTAL	**338,131,330**	**91.34%**

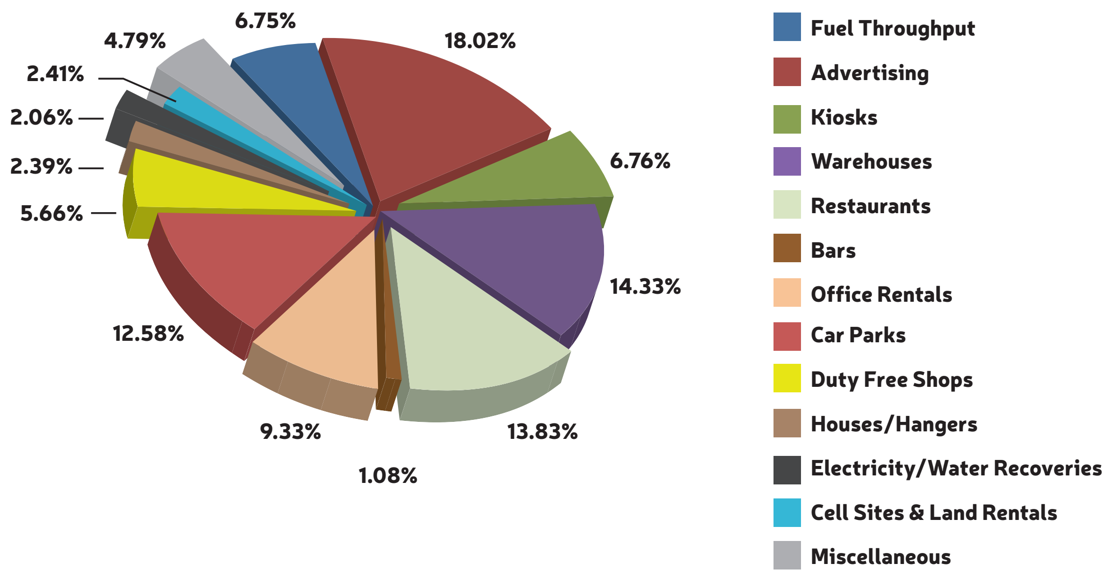
NON-AERONAUTICAL REVENUE

2017	**Revenue K**	**% Contribution**
Fuel Throughput	2,230,241	0.58%
Advertising	4,368,659	1.56%
Kiosks	1,725,176	0.59%
Warehouses	3,428,891	1.24%
Restaurants	2,314,397	1.20%
Bars	85,084	0.09%
Office Rentals	2,314,260	0.81%
Car Parks	4,086,767	1.09%
Duty Free Shops	1,942,938	0.49%
Houses/Hangers	735,070	0.21%
Electricity/Water Recoveries	693,273	0.18%
Cell sites & Land Rentals	898,789	0.21%
Cold Room Concessions	-	0.00%
SUB TOTAL	**24,823,545**	**8.66%**

TOTAL	**362,954,875**	**100.00%**

2.10 REVENUE CONTRIBUTION BY PRODUCT CATEGORY - AIRPORT SERVICES





2.11 CARGO MOVEMENTS

During the period under review, 19,087 metric tons of cargo and mail was handled predominantly through Kenneth Kaunda International Airport. This was 0.13% more than the year 2016. The main catalyst for this positive performance was a positive note, Ethiopian Airlines, South African airways, and Kenya Airways have maintained scheduled cargo flights into KKIA.

The following is a summary of cargo performance;

PERIOD	CATEGORY	CARGO	MAIL	TOTAL
2017				
Jan-Dec	Unloaded	11,158	188	11,346
	Loaded	6,607	21	6,628
	Transit	979	135	1,114
	Total	18,743	344	19,087
2016				
Jan-Dec	Unloaded	10,784	222	222
	Loaded	6,225	31	31
	Transit	1,740	61	61
	Total	18,749	314	314
%Growth				
Jan-Dec	Unloaded	3.47%	-15.32%	3.09%
	Loaded	6.13%	-31.03%	5.95%
	Transit	-43.73%	120.99%	-38.16%
	Total	-0.03%	9.58%	0.13%

2.12 SCHEDULED AIRLINES

In the year under review the Airports were serviced by the following airlines

AIRLINES	KKIA	HMNIA	SMKIA	MFUWE
SOUTH AFRICA AIRWAYS	✓	✓	✓	×
KENYA AIRWAYS	✓	✓	✓	×
SOUTH AFRICAN AIRLINK	✓	✓	✓	×
BA-COMAIR	×	✓	×	×
RWANDAIR	✓	×	×	×
EMIRATES AIRLINES	✓	×	×	×
FLY AFRICA*	✓	×	×	×
ETHIOPIAN AIRLINES	✓	×	✓	×
SOUTH AFRICAN*EXPRESS	✓	×	×	×
AIR ZIMBABWE*	✓	×	×	×
MALAWIAN AIRLINES	✓	×	×	×
FAST JET	✓	×	×	×
AIR BOTSAWANA*	✓	×	×	×
AIR NAMIBIA	✓	×	×	×
ANGOLA AIRLINES	✓	×	×	×
MAHOGANY AIR	✓	✓	✓	×

2.13 ZAMBIA BASED CHARTER OPERATORS

AIRLINES	KKIA	HMNIA	SMKIA	MFUWE
PRO CHARTER	✓	✓	✓	×
STARAVIA	✓	×	✓	×
AVOCET	✓	×	✓	×
SKYTRAILS	×	✓	×	×
CORPERATE AIR	✓	✓	✓	×
NGWAZI AIR CHARTERS	✓	×	✓	×
ROYAL AIR CHARTERS	✓	×	×	×

2.14 CARGO AIRLINES

	INTERNATIONAL	KKIA	HMNIA	SMKIA	MFUWE
SAA CARGO	✓	×	×	×	×
KENYA AIRWAYS	✓	×	×	×	×
ETHIOPIAN AIRLINES	✓	×	×	×	×
MARTIN AIR CARGO	×	×	×	×	×
STABO AIR	✓	×	×	×	×
EMIRATES AIRLINES	✓	×	×	×	×

Ceased to operate during the year under review.

2.15 AIRPORT SERVICES PROJECTS

Kenneth Kaunda International Airport

This is a US$360 million project to build an ultra modern terminal building, fire station, stand-alone presidential pavilion, hotel and office block. As at year end the project status was;

Items	Description	Amount	Status
	Project cost – Broken down as follows:	**US$385,809,673**	
1	Terminal building		72%
2	Fire & Rescue Services Station		100%
3	Rescue Centre		100%
4	Presidential Pavilion		74%
5	Hotel		65%
6	Cargo Warehouse		85%
7	Water Tank & Pump House		100%
8	Air Traffic Control Building & Control Tower		85%
9	Taxi ways Delta Extension		90%
10	Cargo Terminal		74%
11	Viaduct		100%
12	Overall Project		66%

Copperbelt International Airport

This is a US$397 million investment to build a new airport located between Ndola and Kitwe. This is a greenfield project.

Site Handover was done on 28th September 2017 and construction commenced on 16th October 2017. Construction is in progress with earthworks underway and the overall progress is at 7.5%.

Mfuwe International Airport

Description	Amount	Status
Mfuwe International Airport	US$122,364,454	Awaiting Funding

2.16 QUALITY MANAGEMENT

The Corporation is ISO 9001-2008 certified. During the year various internal audits have taken place with continuous improvement of the system taking place.

2.17 RISK MANAGEMENT

Risk and Compliance Management Policy Statement

The Corporation is committed to establishing enterprise wide risk and compliance management systems that will identify potential threats and breaches; and manage the risks within the Corporations' risk appetite.

During the year under review, the Safety Health Environmental and Quality (SHEQ) team became fully operational with an added view of improving on the company's risk management profile. Risk will be managed within the framework set up within the current Five Year Strategic Plan (2017 – 2021).

2.18 ENVIRONMENT POLICY

The Corporation is committed to prevention of pollution, effective waste management, minimization of consumption of resources and preventing environmental degradation. Zambia Airports Corporation Limited is committed to complying with the requirements of its Environmental Management System. Management has implemented an Environmental Policy to guide the Organization.

This Policy has been documented, implemented, maintained and communicated to all staff, contractors and suppliers, and is available to all stakeholders.

2.19 AIR NAVIGATION SERVICES DIVISION

Functions and Responsibilities

The responsibility of the Air Navigation Services Division is the provision of Air Navigation Services throughout the Zambian air space.

Key focus areas

The key focus areas in line with stakeholder expectations are:

- Safety
- Capacity
- Cost effectiveness
- Efficiency
- Environmental Sustainability

Revenue

The Division earns its revenue by charging fees for the provision of air navigation services and are categorized as:

- Over-flights,
- International Navigation
- Domestic Navigation

The Overflight constitutes the biggest component to the total Air Navigation Services Revenue and domestic navigation, the least.

2.20 REVENUE

During the year under review total movements of 77,801 translated into Air Navigation revenue of K54.39 Million. The amount represented an increase of 34 % from K40.71 Million achieved in 2016.

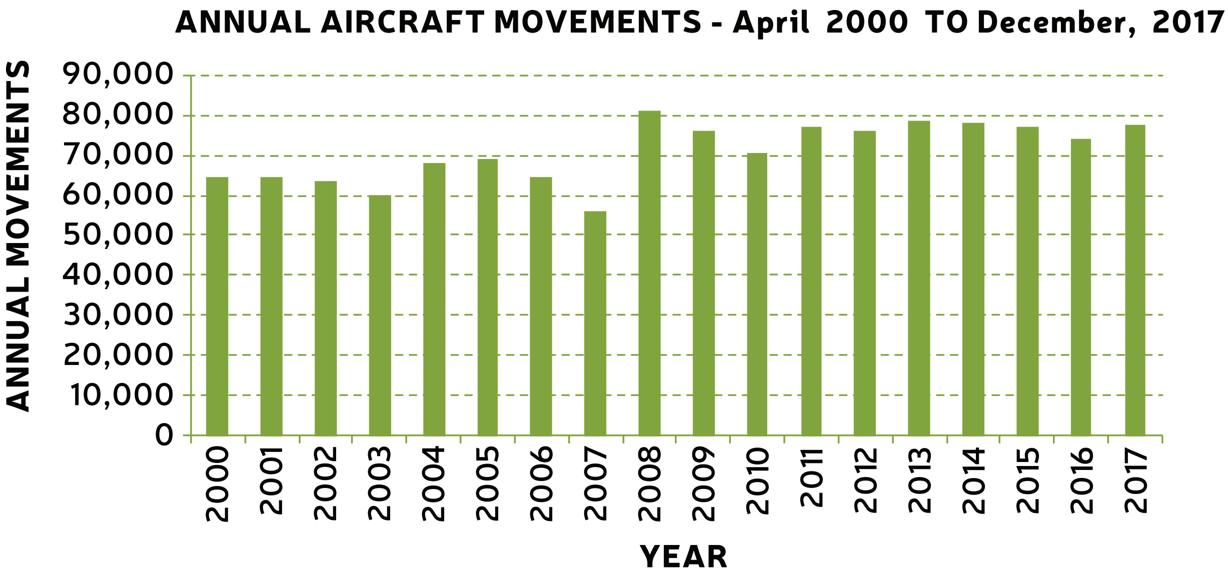
This performance was partly attributed to the charges in Special Rules Area of Livingstone and revision of navigation charges during the year.

The break down by category of aircraft movements for the period under review is as follows:

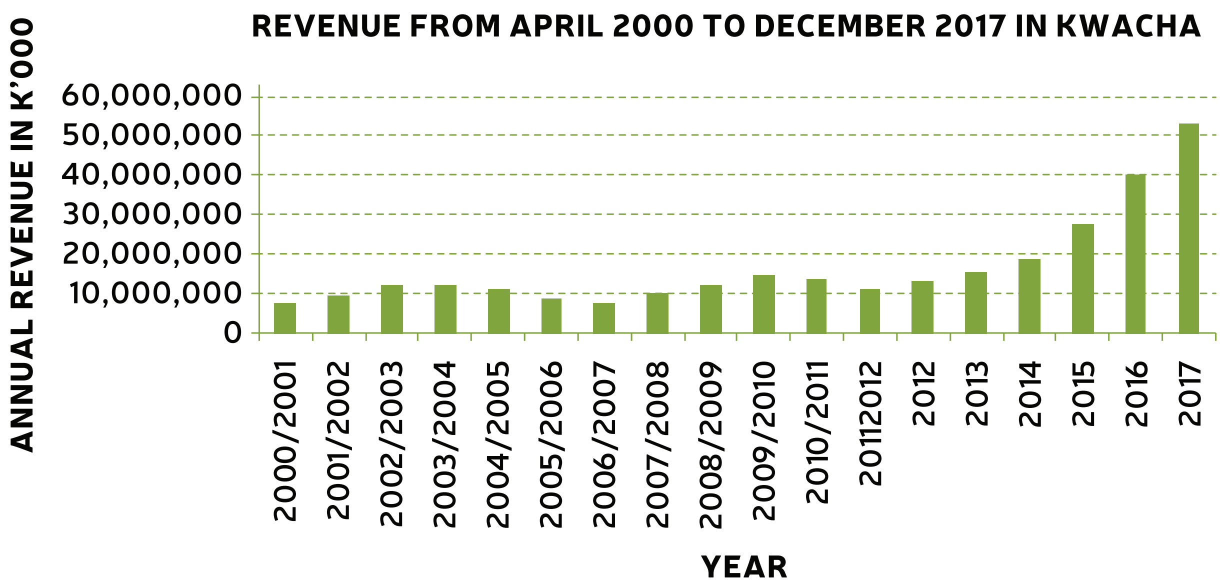
AIRCRAFT MOVEMENTS COMPARISON

CATEGORY	2017	2016	VARIANCE	%
DOMESTIC	25,696	24,116	1,580	6.5
INTERNATIONAL	23,294	23,129	165	1
OVER-FLIGHTS	17,901	16,798	1,103	6.5
OTHERS	10,910	9,989	921	9.2
TOTAL	77,801	74,032	3,769	5.1

Aircraft movement trends - April 2000 to December, 2017



Revenue Progression Charts



The revenue contributions by category by percentage are as follows: 71% over-flights, 26% International Navigation and 3 % Domestic Navigation. categories.

2.21 AIR NAVIGATION PROJECTS

In the period under review the Air Navigation Services Department (ANS) implemented its part of the corporate strategy by initiating and undertaking the following projects:

	Project	Status
1	Procurement of Non Directional Beacons For Mansa, Mfuwe, Kasaba bay, and Kaoma.	**In progress**
2	Implementation of the Automatic Weather Observation Stations (AWOS) project to automate the provision of MET information.	**Completed**
3	Implementation of the Aeronautical Telecommunication network (ATN) project.	**In progress**
4	Upgrade of the Aeronautical Information Management System Phase II	**In progress**
5	Carry out the Lusaka Flight Information Region (FIR) Airspace Master Plan Study	**In progress**

The above projects are intended to enhance safety, efficiency and reliability in the provision of air navigation services in the Zambian airspace.

2.22 HUMAN RESOURCES

The Human Resources Department generally continued to provide effective Human Resources consultancy and support services to the Corporation during the year under review.

2.23 STAFF HEADCOUNT

DIVISION	HEAD OFFICE	KKIA	HMNIA	SMKIA	MFUWE	P/A	TOTALS	EST.
MD'S OFFICE	16	0	0	0	0	0	16	17
TECHNICAL	10	1	1	0	0	0	12	16
FINANCE	15	0	3	3	1	0	22	23
APS	7	346	120	105	34	5	617	635
ANS	16	70	15	16	9	7	133	153
HR	20	0	2	3	1	0	26	25
LEGAL	18	2	4	4	1	0	29	29
TOTAL	**102**	**419**	**145**	**131**	**46**	**12**	**855**	**898**

The staff headcount for the period ending 31 December 2017 was eight hundred and fifty-five (855) against approved establishment of eight hundred and ninety-eight (898) as tabulated above.

A total number of seventy-seven (77) new employees were engaged during the year to fill up the vacant positions in critical areas of operations. Thirty-nine (39) employees were engaged on permanent and pensionable terms and thirty-eight (38) employees on Fixed Term Contract basis.

2.24 LABOUR TURNOVER

The Corporation recorded Forty-Two (42) separations during the year under review comprising nineteen (19) resignations, three (3) normal retirement, two (2) deaths, fourteen (14) dismissals and (4) expiry of contract.

2.25 TRAINING AND DEVELOPMENT

The Corporation continued to provide staff training and development in order to maintain a skilled, competent and motivated workforce and ensure provision of high quality service to the customers.

The Corporation arranged for 84 training programs of which a total of 1,245 participants attended both locally and abroad in the following key areas of operations:

Type of course	No. of programs	Participants
Technical	04	65
Operational	66	723
Management	11	311
QMS	01	31
HIV/AIDS	02	73

The Corporation also supported employees in improving their academic qualifications through the educational policy. A total of twenty-one employees successfully completed their studies in 2017 as tabulated below:

Qualification	Number
Master's Degree	04
First Degree	10
Diploma	01
Certificate	03
Total	**18**

2.26 LABOUR RELATIONS

The Corporation enjoyed good and harmonious industrial relations during the year under review. Management continued to foster dialogue with employee representatives and managerial staff in order to promote rapport, good working relationship and employee participation in decision making of the Corporation.

2.27 2017 MANAGEMENT/UNION NEGOTIATIONS

Management and the two unions Airways and Allied Workers Union of Zambia (AAWUZA) and National Union for Aviation Allied Workers (NUAAW) timely concluded negotiations for improved salaries and conditions of service for 2017 for unionized employees.

2.28 LABOUR DAY

ZACL joined the rest of the world in commemorating Labour Day on 1st May 2017. In appreciation for the dedicated long service rendered to the Corporation, twenty-two (22) employees who had clocked ten (10) years of unbroken service and four (4) who had clocked twenty (20) years of unbroken service were awarded with long service certificates and monetary awards.

2.29 STAFF SATISFACTION SURVEY EXERCISE

The Corporation undertook a Staff Satisfaction Survey in 2017. This was intended for Management to have a better understanding of the satisfaction and commitment levels of staff. This was on realization that the successful implementation of the Strategic Plan of 2017 t0 2021 would largely depend on the active and positive participation of all employees.

A total of 600 employees responded to the survey representing 76% of the total staff compliment. Overall satisfaction was recorded at 60.3%. In this regard, Management will strive to ensure that the work environment and all other factors related to the individual jobs, as highlighted in the survey report, meet the expectation and satisfaction of staff. This was the first such survey to be undertaken in the Corporation.

2.30 ZACL PENSION SCHEME

The Corporation operates two pension schemes managed by Madison Life Insurance Company Zambia Limited and ZSIC Life Limited. This is in addition to the closed in-house pension scheme which was created out of the long service gratuity.

2.31 EMPLOYEE HIV/AIDS & WELLNESS POLICY

The Employee HIV/AIDS & Wellness Policy was launched on 26th August 2017 by the Minister of Transport and Communications in Lusaka. Management had decided to revise the HIV/AIDS Voluntary Medical Scheme and Policy with the view to have a broad based focus on all aspects of employee well-being as opposed to the concentration on HIV/AIDS campaigns only. This also follows the past clinical results which revealed that a high number of employees were diagnosed with other ailments, among others, such as high cholesterol, diabetes, high blood pressure, and poor eye sight which require medical interventions and a more focused approach.

During the year under review the number of staff and spouses benefiting from the scheme in terms of anti-retroviral therapy and counselling was 48 compared to 20 from the previous financial year.

2.32 CORPOARATE FINANCIAL RESULTS

Revenue

The Corporation turnover in the year under review was K417 Million compared to the previous year 2016 of K416 Million; this was 0.2% above last year. These results are mostly due to the depreciation of the kwacha against other convertible currencies. Paying passengers numbers at the four airports only increased by 7.8%.

Table 1 – Revenue by income Type

AIRPORT SERVICES	DEC 2017 K	DEC 2016 K	%
Passenger Service Charge	121,339,385	124,394,518	(2.4)
Landing Fees	53,314,722	57,638,160	(7.5)
Ground Handling Fees	76,505,783	80,600,829	(5)
Aviation Security	26,089,296	26,903,919	(3)
Aircraft Parking	2,397,361	2,707,500	(11.4)
Aviation Infrastructure fees	51,562,900	52,275,452	(1)
Cute and Cuss	6,921,883	7,326,902	(5.5)
Other	24,823,031	24,599,403	0
Total	**362,954,361**	**376,446,683**	**(3.5)**
AIR NAVIGATION			
Over flights	38,251,232	24,485,944	56
Navigation fees	16,139,457	15,386,969	4.8
Others	-	-	
Total	**54,390,689**	**39,872,913**	**36.4**
TOTAL OPERATING INCOME	**417,345,050**	**416,319,596**	**0**
Average exchange rate	9.55	10.34	

Table 2 – Expenses

EXPENSES	DEC 2017 K	DEC 2016 K	%
Personnel	184,841,502	153,704,262	20
Depreciation	38,868,379	36,230,226	7.2
Finance costs	17,664,714	19,990,204	(11.6)
Other costs	147,554,576	143,410,678	2.8
TOTAL	**388,929,171**	**350,050,422**	**11**
Profit/(loss) before Tax and exchange gain/(loss)	45,504,180	80,818,958	(43)
Exchange gain/(loss)	14,737	(4,664,725)	99
Income tax	17,188,504	(39,334,689)	(56)
Profit /(loss) after Tax and exchange gain/(loss)	28,315,676	41,484,269	(31)

Operating Turnover by Airport

Airport Services	DEC 2017 K	DEC 2016 K	%
Kenneth Kaunda	256,814,086	268,362,091	-4
Simon Mwansa Kapwepwe	48,201,675	48,361,304	0
Harry Mwaanga Nkumbula	53,048,096	54,052,052	-2
Mfuwe	4,891,017	5,671,236	-14
Air Navigation income	54,390,689	39,872,913	36.4
Exchange gain/(loss)	14,737	(4,664,725)	99
	417,345,050	416,319,596	0

The Corporation recorded a profit of K28,315,676Million after taking into account income tax of K17,188,504Million.


XP263

2017 ANNUAL REPORT

FINANCIAL STATEMENT

FOR THE YEAR ENDING 31 DECEMBER 2017

MPH Chatered Accounts

Zambia AIRPORTS Corporation Limited

DIRECTOR'S REPORT

The Directors submit their report and audited financial statements for the year ended 31 December, 2017.

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, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe as well as provision of navigation services throughout Zambia.

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:

	2017 K	2016 K
Operating revenue	417,345,050	416,319,596
Profit before tax	45,504,180	80,818,958
Income tax expense	(17,188,504)	(39,334,689)
Profit after tax	28,315,676	41,484,269

The Corporation achieved revenue of K417 million during the twelve months compared to K416 million for the previous 12 months. Operating costs during the period amounted to K388 million (2016 – K357 million) resulting into a profit before tax of K45.5 million (2016 – K80.8 million) after taking into account other income of K16.2 million (2016-K21.3 million) and other charges.

5. Dividends

The Corporation made a profit after tax of K28.3 million for the year ended 31 December 2017 (2016: K41.5 million). Due to the on- going projects, the Directors do not recommend a dividend for the year ended 31 December 2017 (2016:K5 million).

DIRECTOR'S REPORT

6. Directors and Secretary

The Directors and the Secretary during the year under review were as follows:

Ms. Mubanga Musakanya	Retired - 31 March 2017
Mr. Robinson Misitala	Managing Director
Ms. Kutemba Konga	Retired – 31 March 2017
Mr. Lazarous Chota	Retired – 31 March 2017
Mr. Boniface Njovu	Retired – 31 March 2017
Mr. Charles Mushota	Retired – 31 March 2017
Eng. Misheck Lungu	Retired – 31 March 2017
Mr. Milingo Lungu	Chairperson – Appointed 2nd August 2017
Ms. Prisca Mwansa Chikwashi	Vice Chairperson – Appointed 2nd August 2017
Mr. Moonga Mumba	Member – Appointed 2nd August 2017
Mr. Sunday Chanda	Member – Appointed 2nd August 2017
Ms. Patricia Pakatamanja Zimba	Member – Appointed 2nd August 2017
Mrs. Pamela Chibonga Kabamba	Member – Appointed 2nd August 2017
Mr. Nicholas Chikwenya	Member – Appointed 2nd August 2017

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.

Employees

The Corporation had 855 full time employees at 31 December 2017 (31 December 2016 – 815) and total salaries and wages paid were K185 million for the year ended 31 December 2017 (December 2016 – K154 million). The average number of employees in each month for the year was:

January 2017	820
February 2017	823
March 2017	838
April 2017	838
May 2017	831
June 2017	836
July 2017	834
August 2017	849
September 2017	848
October 2017	861
November 2017	858
December 2017	855

STATEMENT OF DIRECTORS' RESPONSIBILITIES

8. Gifts and donations

The Corporation made donations of K161,953 during the year (2016 – K434,525).

9. Property, plant and equipment

Additions to property, plant and equipment totaling K32 million were made during the year (2016 – K57 million).

10. Other material facts, circumstances and events

The Directors are not aware of any material fact, circumstance or event which occurred between the accounting date and the date of this report which might influence an assessment of the Corporation's financial position or the results of its operations.

11. Financial statements

The financial statements set out on pages 10 to 49 have been approved by the Directors.

12. Auditors

MPH Chartered Accountants the Corporation's auditors retire at the forthcoming Annual General Meeting and have expressed willingness to continue. A resolution for their reappointment will be submitted to the Annual General Meeting.

By order of the Board.

Mrs. Maggie Banda Kaunda

Corporation Secretary

Lusaka **Date:** September 27th, 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's Directors are responsible for the preparation and fair presentation of financial statements of Zambia Airports Corporation Limited, comprising the statement of financial position as at 31 December 2017, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards and the Companies Act of Zambia.

The Directors' responsibility includes: designing, implementing and monitoring internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Directors' have made an assessment of the company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Approval of the financial statements

The financial statements of the Corporation as indicated above and set out on pages 10 to 49 were approved by the Board on September 27th, 2018 and were signed on its behalf by:

Milingo Lungu	**Robinson Misitala**
Chairperson	***Director***

INDEPENDENT AUDITOR'S REPORT

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 Company"), which comprise the Statement of Financial Position as at 31 December 2017, 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 accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act of Zambia.

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 Company 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key audit matters to be communicated in our report.

We refer to notes 14, 22 and 24 (exposure to credit risk) of the financial statements.

Key audit matter

i. *Existence, accuracy and recoverability of trade receivables.*

- The Company has significant long outstanding debtors that may not be adequately provided for.

Included in debtors are significant amounts of debit balances in the trade payables̀ ledger that may not be accurate or recoverable.

INDEPENDENT AUDITOR'S REPORT

Our response

Our audit procedures in respect to the audit of the existence, accuracy and recoverability of trade and other receivables included, among others;

- Assessing the existence of the trade receivables through direct confirmation of a sample of debtors balances;
- Review of payments from the sampled debtors received after the reporting date;
- Review of supporting documents giving rise to the sampled debtors balances; Review of debtors statements and reconciliations with selected debtors;
- Obtaining an undertaking of the Company's impairment policy for financial instruments; and
- Assessing for compliance with the impairment policy and assessing the recoverability of trade and other receivables and the adequacy of the impairment provision.

Disclosures of the trade and other receivables balances, the trade debtors ageing and the impairment provisions have been made in notes 14 and 24 to the financial statements. Debit balances in creditors' accounts have been disclosed separately in note 14. We consider the disclosures to be appropriate.

ii. Existence and accuracy trade payables

- The Company has significant balances of trade and other payables. Some of the balances have been outstanding for long periods of time.
- Further, a significant amount of the trade payables are foreign currency denominated. The accounting package has not being revaluing multi-currency denominated liabilities.
- Included in the trade payables ledger is a significant amount of trade receivables.
- Trade payables may not exist and/or may be inaccurate.

iii. Existence and accuracy trade payables

- The Company has significant balances of trade and other payables. Some of the balances have been outstanding for long periods of time.
- Further, a significant amount of the trade payables are foreign currency denominated. The accounting package has not being revaluing multi-currency denominated liabilities.
- Included in the trade payables ledger is a significant amount of trade receivables.
- Trade payables may not exist and/or may be inaccurate.

Our audit procedures in respect to the audit of the existence, accuracy and valuation of trade and other payables included, among others:

- Assessing the existence of the trade payables through direct confirmation of the creditors balances;
- Review of payments made to creditors after the reporting date;
- Review of reconciliations with creditors;
- Review of suppliers statements where available; and
- Review of the revaluation of foreign currency denominated liabilities.

Disclosures of the trade and other payables balances have been made in notes 22 and 24 to the financial statements. Debit balances in creditors' accounts have been disclosed separately in note 14. We consider the disclosures to be appropriate.

INDEPENDENT AUDITOR'S REPORT

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 Company'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 auditor̓ 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 on the basis of 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 Company'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.

INDEPENDENT AUDITOR'S REPORT

- 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

As required by the Companies Act of Zambia we report to you, based on our audit, that:

a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
b. in our opinion proper books of accounts, other records and registers have been kept by the Company, so far as appears from our examination of those books and registers ;and
c. the Companỳ s financial statements of the financial position and profit or loss account are in agreement with the books of account.

MPH Chartered Accountants **Lusaka, Zambia**

Hampande Hachongo (AUD/F000186)

INDEPENDENT AUDITOR'S REPORT

Statement of Profit or Loss and Other Comprehensive Income

Note		2017 K	2016 K
Revenue	8	417,345,050	416,319,596
Expenditure			
Depreciation	11	(38,868,379)	(36,230,226)
Employee costs	30	(184,841,502)	(153,704,262)
Other operating expenses	31	(147,554,576)	(145,428,293)
		46,080,593	80,956,815
Other income	Appendix 1	15,699,490	21,232,124
Profit from operations		61,780,083	102,188,939
Finance income and costs	9	(16,275,903)	(21,369,981)
Profit before tax		45,504,180	80,818,958
Income tax expense	10(a)	(17,188,504)	(39,334,689)
Profit after tax		28,315,676	41,484,269
Other comprehensive income		-	-
Total comprehensive income		**28,315,676**	**41,484,269**

INDEPENDENT AUDITOR'S REPORT

Statement of Financial Position

	Note	2017 K	Restated 2016 K	Restated 2015 K
Assets				
Non-Current Assets				
Property and equipment	**11**	**573,581,734**	580,364,148	582,968,085
Financial assets at fair value through profit and loss	**12**	**2,615,608**	1,710,761	1,710,761
		576,197,342	582,074,909	584,678,846
Current Assets				
Inventories	**13**	**4,408,916**	3,224,512	2,158,221
Trade and other receivables	**14**	**114,942,037**	114,827,913	153,957,120
Held to maturity financial assets	**15**	**13,738,777**	23,380,424	104,569
Cash and cash equivalents	**16**	**32,582,325**	44,926,923	40,682,407
		165,672,055	186,359,772	196,902,317
Total Assets		**741,869,397**	**768,434,681**	**781,581,163**
Equity and Liabilities Equity				
Share capital	**17**	**16,458,500**	16,458,500	16,458,500
Amount received pending allotment of shares		**13,928,678**	13,928,678	13,928,678
Revaluation reserve		**227,443,637**	217,853,722	206,990,778
Accumulated profit		**72,223,550**	36,267,394	(9,357,355)
		330,054,365	284,508,294	228,020,601
Non-Current Liabilities				
Capital grants	**18**	**90,525,929**	97,401,076	106,688,793
Long-term loans	**19**	**86,003,404**	116,553,290	159,682,207
Deferred income tax	**10(d)**	**19,387,513**	36,617,907	55,121,331
Obligations under finance lease	**20**	**-**	1,611,789	2,544,593
Deferred liability	**21**	**65,830,871**	74,345,850	70,673,590
		261,747,717	326,529,912	394,710,514
Current Liabilities				
Short term portion of long-term loans	**19**	**37,267,861**	38,706,665	44,785,647
Obligations under finance leases	**20**	**2,666,748**	4,871,911	3,711,186
Trade and other payables	**22**	**76,803,376**	61,045,022	58,568,158
Income tax payable	**10(b)**	**22,169,330**	46,761,524	38,191,836
Bank overdraft	**16(b)**	**-**	-	402,821
Deferred liability	**21**	**11,160,000**	6,011,353	13,190,400
		150,067,315	157,396,475	158,850,048
Total Equity and Liabilities		**741,869,397**	768,434,681	**781,581,163**

The financial statements set out on pages 10 to 49, which have been prepared on a going concern basis, were approved by the Board on September 27th, 2018 and were signed on its behalf by:

Milingo Lungu
Chairperson

Robinson Misitala
Director

INDEPENDENT AUDITOR'S REPORT

Statement of Changes in Equity

	Share capital	Amount received awaiting allotment of shares	Revaluation reserves	Accumulated profit (losses)	Total
	K	K	K	K	K
At 1 January 2014	16,458,500	13,928,678	261,686,630	(15,419,185)	276,654,623
Total comprehensive Income	-	-	-	(132,741)	(132,741)
Deferred tax on valuation	-	-	(88,916,152)	-	(88,916,152)
Transfer	-	-	(7,640,483)	(7,640,483)	-
At 31 December 2014	16,458,500	13,928,678	165,129,995	(7,911,443)	187,605,730
At 31 December 2014 as previously reported	16,458,500	13,928,678	165,129,995	(7,911,443)	187,605,730
Prior year adjustment (note 26)	-	-	30,208,800	-	30,208,800
At 31 December 2014 restated	16,458,500	13,928,678	195,338,795	(7,911,443)	217,814,530
At I January 2015	16,458,500	13,928,678	165,129,995	(7,911,443)	187,605,730
Comprehensive Income	-	-	-	22,119,174	22,119,174
Deferred tax on valuation	-	-	(52,866,920)	-	(52,866,920)
Transfer	-	-	(7,640,483)	(7,640,483)	-
At 31 December 2015	16,458,500	13,928,678	104,622,592	21,848,214	156,857,984
At 31 December 2015 as previously reported	16,458,500	13,928,678	104,622,592	21,848,214	156,857,984
Prior year adjustment (note 26)	-	-	102,368,186	-	102,368,186
At 31 December 2015 restated	16,458,500	13,928,678	206,990,778	21,848,214	259,226,170
At 1 January 2016					
Total comprehensive Income	16,458,500	13,928,678	104,622,592	(9,357,355)	125,652,415
Profit for the year	-	-	-	41,484,269	41,484,269
Deferred tax on valuation	-	-	(33,943,739)	-	(33,943,739)
Dividend paid	-	-	-	(3,500,000)	(3,500,000)
Transfer	-	-	(7,640,480)	(7,640,480)	-
At 31 December 2016	16,458,500	13,928,678	63,038,373	36,267,394	129,692,945
At 31 December 2016 as previously reported	16,458,500	13,928,678	63,038,373	36,267,394	129,692,945
Prior year adjustment (note 26)	-	-	154,815,349	-	154,815,349
At 31 December 2016 as restated	16,458,500	13,928,678	217,853,722	36,267,394	284,508,294
At 1 January 2017					
Total comprehensive Income	16,458,500	13,928,678	217,853,722	36,267,394	284,508,294
Profit for the year	-	-	-	28,315,676	28,315,676
Deferred tax on valuation	-	-	17,230,395	-	17,230,395
Transfer	-	-	(7,640,480)	7,640,480	-
At 31 December 2017	**16,458,500**	**13,928,678**	**227,443,637**	**72,223,550**	**330,054,365**

INDEPENDENT AUDITOR'S REPORT

Revaluation reserves

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

Accumulated profit/(loss)

The accumulated profit/(loss) represents accumulated retained earnings from the operations of the Company.

Amount received pending allotment of shares

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

The notes on pages 29 to 49 form part of these financial statements.

Statement of Cash flows

Note	2017 K	2016 K
Cash inflow from operating activities		
Profit before tax	45,504,180	80,818,958
Profit on disposal of property, plant and equipment	-	-
Interest paid 9	17,664,714	19,990,204
Interest received 9	(1,374,074)	(3,284,948)
Unrealised exchange (gain)/losses on long term loans 9	(14,737)	4,664,725
Depreciation 11	38,868,379	36,230,226
Amortisation of capital grants 18	(6,875,147)	(9,217,778)
(Increase) in inventories	(1,184,404)	(1,066,291)
(Increase)/decrease in trade and other receivables	(114,124)	39,129,207
Increase in trade and other payables	15,758,354	2,476,864
Increase/(decrease) in deferred liability	5,940,903	(2,207,002)
Net cash flows from operating activities	114,174,044	167,534,165
Returns on investment and servicing of finance		
Decrease/(increase) in held to maturity financial assets	9,641,647	(23,275,855)
Interest received 9	1,374,074	3,284,948
Interest paid 9	(17,664,714)	(19,990,204)
Dividend paid	-	(3,500,000)
Net cash flows from/(used on) returns on investments and servicing of finance	(6,648,993)	(43,481,111)
Income tax paid 10(b)	(41,780,698)	(30,765,001)
	(41,780,698)	(30,765,001
Investing activities		
Purchase of property, plant and equipment 11	(32,085,965)	(57,476,283)
Net cash flows used on investing activities	(32,085,965)	(57,476,283)
Financing activities		

INDEPENDENT AUDITOR'S REPORT

Long-term loan received	-	14,647,860
Finance lease received 20	2,926,245	3,649,818
Finance lease repaid 20	(6,743,197)	(3,421,897)
Repayment of loans	(42,186,034)	(46,040,214)
Net cash flows from financing activities	(46,002,986)	(31,164,433)
Movement in cash and cash equivalents		
Net cash flow	(12,344,598)	4,647,337
Cash and cash equivalents at beginning of the year	44,926,923	40,279,586
Cash and cash equivalents at end of the year 16(a)	32,582,325	44,926,923

The notes on pages 29 to 49 form part of these financial statements.

Accounting Policies

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, Works, Supply 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.

3. Basis of preparation and accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They 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 IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporatioǹ 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 6.0.

4. Going concern

During the year, the Corporation recorded a profit before tax of K54.6 million (2016: profit of K80.8 million) and its non- current liabilities reduced to K433 million from K481 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.

INDEPENDENT AUDITOR'S REPORT

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 continued 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. 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.

i. Revenue recognition

Revenue represents the invoiced value of navigation, landing, over flights, ground handling and parking fees relating to aircraft traffic, passenger service fees relating to passenger traffic, rentals and concessions relating to accommodation facilities provided at airport terminals and warehouses.

Revenue is recognised on an accrual basis.

ii. 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 are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increase in the carrying amount arising on 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 directly 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.

INDEPENDENT AUDITOR'S REPORT

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%

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.

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.

iii. Leased assets

Where property, plant and equipment are financed by leasing agreements which give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest; the capital element is applied to reduce the outstanding obligations and the interest element is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest in the remaining balance of the liability under the lease agreement for each of the accounting periods.

All other leases are operating leases and the annual rentals are charged to the income statement on a straight line basis over the lease term.

Depreciation on the relevant assets is charged to the income statement over their useful lives.

iv. Financial assets

The Corporation classifies its investments into the following categories: financial assets at fair value through profit or loss, debtors and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

a. Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the financial asset at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

Financial assets designated as at fair value through profit or loss at inception are those that are:

- Held in internal funds to match investment contracts liabilities that are linked to the changes in fair value of assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- Managed and whose performance is measured on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

b. Debtors and receivables

Debtors and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Corporation intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Debtors and receivables are recognized at fair value, less provision for impairment. A provision for impairment of debtors and receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to their original terms.

c. Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition

INDEPENDENT AUDITOR'S REPORT

of debtors and receivables that the Corporation's management has the positive intention and ability to hold to maturity. These assets are recognized at fair value, less provision for impairment. A provision for impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to their original terms.

d. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the Corporation also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Debtors and receivables and held-to-maturity financial assets are carried at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial asset at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognized in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as net realized gains or losses on financial assets.

e. Impairment of assets

Interest on available-for-sale securities is recognized in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income when the Corporation's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Corporation establishes fair value by using valuation techniques.

f. Financial assets carried at amortized cost

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

INDEPENDENT AUDITOR'S REPORT

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Corporation about the following events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or delinquency in payments; it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Corporation, including:
- Adverse changes in the payment status of issuers or debtors in the Corporation; or
- National or local economic conditions that correlate with defaults on the assets in the Corporation.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that impairment loss has been incurred on debtors and receivables or held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

g. Financial assets carried at fair value

The Corporation assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognized in income – is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not subsequently

INDEPENDENT AUDITOR'S REPORT

reversed. The impairment loss is reversed through the statement of comprehensive income, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income.

h. Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units).

v. 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.

vi. 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.

vii. 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.

viii.Grants

Capital grants are amortized over the life of the assets they are intended to finance. Revenue grants are credited to income in the year in which they are received.

Capital grants are deferred and credited to the statement of comprehensive income in equal annual installments over the expected useful lives of the related assets.

ix. 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.

INDEPENDENT AUDITOR'S REPORT

x. 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.

xi. Foreign currencies

a. 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.

b. 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 available-for-sale financial assets, are included in fair value reserve in equity.

x. Employee benefits

a. 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.

INDEPENDENT AUDITOR'S REPORT

b. 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.

c. 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.

d. 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 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.

e. 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.

6. Critical accounting estimates and judgements

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

In the process of applying the Corporation's accounting policies, management has made judgements in determining:

a. *the classification of financial assets;*
b. *whether assets are impaired;*

INDEPENDENT AUDITOR'S REPORT

c. *estimation of provisions and accruals; and*
d. *recoverability of trade and other receivables.*

7. Management of financial risk

a. 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.

b. 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.

c. Capital management

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

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

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

i. New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) have become effective and are mandatorily effective for an accounting period that begins on or after 1 January 2017. None of these amendments have had a significant impact on the Company.

INDEPENDENT AUDITOR'S REPORT

Standard	Subject of amendment	Details
Annual Improvements to IFRSs 2014–2016 Cycle **(AIP)- IFRS 12: Disclosure of Interests in Other Entities**	Clarification of the Scope of the Standard	IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments are effective 1 January 2017 and apply retrospectively.
IAS 7: Statement of Cash Flows	Changes in liabilities arising from cash flows	IAS 7 in respect of the disclosure initiative regarding changes in liabilities arising from cash flows. The additional disclosure will help investors to evaluate changes in liabilities arising from financing activities, including changes in cash flows and non- cash exchanges, such as changes in foreign exchange rates, and new finance leases and changes in fair value.
IAS 12 Income Taxes	Recognition of Deferred Tax Assets for Unrealised Losses	The amendment to IAS 12 Income Taxes clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but are not deemed to be impaired. Specifically it clarifies that deferred taxes should be recognised for deductible temporary differences arising from unrealised losses on debt instruments measured at fair value if all other recognition criteria for deferred taxes are met, regardless of whether it is planned to recover the instrument through sale or by holding it to maturity.

New and revised IFRSs in issue but not yet effective

- Annual Improvements to IFRSs 2014–2016 Cycle (AIP).

INDEPENDENT AUDITOR'S REPORT

Standard	Amendments made	Effective date
IFRS 1	Out-dated exemptions for first-time adopters of IFRS are removed.	Annual periods beginning on or after 1 January 2018.
First-time Adoption of IFRS **IAS 28**	A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.	Effective retrospectively for annual periods beginning on or after 1 January 2018.Early application is permitted.
Investments in Associates and Joint Ventures	A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.	

The above changes will have no impact on the Company.

- *IFRS 9 :Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting

INDEPENDENT AUDITOR'S REPORT

periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 9 is effective for annual periods beginning 1 January 2018.

The Directors of the Company anticipate that the application of IFRS 9 in the future will impact on amounts reported in respect of the Company's financial assets and financial liabilities.

Impact

The Company has identified that the adoption IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018, will impact its financial statements. This will mainly be in relation to impairment provisions against financial assets. The Company will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables (both current and non-current). This will result in increased impairment provisions in future and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Company must consider the probability of a default occurring over the contractual life of its trade and other receivables on initial

INDEPENDENT AUDITOR'S REPORT

recognition of those assets. Losses under the existing incurred loss model, has averaged 40% of the gross carrying amount of receivables over the last 4 years. If the IFRS 9 model were applied to all trade and other receivables, at 31 December 2017, the impairment provisions would increase, resulting in an increased charge in the income statement for the year ended 31 December 2017 and a consequential reduction in retained earnings as at 31 December, 2017 of approximately ZMW 490,348.

The assessment above may not be fully representative of the impact of adopting IFRS 9 on the 31 December, 2017 financial position as the Company is still finalizing its assessment and implementation plans. The Company will continue to monitor and refine the impact of IFRS 9 in 2018.

- *IFRS 15: Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 is effective 1 January 2018. The Directors of the Company anticipate that the application of IFRS 15 in the future could have an impact on the amounts reported and disclosures made in the Company's financial statements. An assessment of the impact is yet to be undertaken

- *IFRS 16: Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

IFRS 16 applies a control model to the identification of leases, distinguishing between

INDEPENDENT AUDITOR'S REPORT

leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

- the right to obtain substantially all the economic benefits from the use of an identified asset; and
- the right to direct the use of the asset.

The standard provides guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution rights, and where the relevant decisions about how and for what purpose the asset is used are predetermined.

IFRS 16 introduces significant changes to lease accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lease to recognize a right –of- use asset and lease liability at lease commencement for all leases, except for short – term leases and leases of low value assets.

The right of –use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short – term leases (i.e. one that does not include a purchase option and has a lease term of commencement date of 12 months or less) and leases of low value assets, the lessee should recognize the lease payments associated with those leases as an expense on either a straight line basis over the lease term or another systematic basis similar to the current accounting for operating leases.

In contrast to lease accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions. Extensive disclosures are also required by the standard.

IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early adoption permitted for entities that apply IFRS 15 at or before the initial application of IFRS 16. The Directors of the Company anticipate that the application of IFRS 16 in the future could have an impact on the amounts reported and disclosures made in the Company's financial statements. An assessment of the impact is yet to be undertaken.

INDEPENDENT AUDITOR'S REPORT

- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions*

  The amendments clarify the following:

  - In estimating the fair value of a cash – settled share based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share based payments.
  - Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature' such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
  - The modification of a share – based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

    I. the original liability is derecognized;
    II. the equity-settled share-based payment is recognized at the modification date fair date value of the equity instrument granted to the extent that the services have been rendered up to the modification date; and
    III. any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.

  In the opinion of the Directors the IFRS 2 amendments will have no impact on the Company's financial statements.

- *Amendments to IAS 40: Transfers of Investment Property (effective 1 January 2018) Changes*

  IAS 40 was amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

  The amendments are effective for periods beginning on or after 1 January 2018. Earlier application is permitted. The Directors consider that the amendments to IAS 40 will impact the Company.

INDEPENDENT AUDITOR'S REPORT

- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)*

  The amendment:

  - provides some entities with a temporary exemption from application of IFRS 9; and
  - gives all entities with insurance contracts the option, following full adoption of IFRS 9, to present changes in fair value on qualifying designated financial assets in other comprehensive income (OCI) instead of profit or loss (referred to as the 'overlay approach').

  In the opinion of the Directors the IFRS 4 amendments will have no impact on the Company's financial statements.

- *IFRS 17 Insurance Contracts (effective 1 January 2021)*

  IFRS 17 supersedes IFRS 4 Insurance Contracts and related interpretations and is effective for periods beginning on or after 1 January 2021, with earlier adoption permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial instruments have also been applied.

  In the opinion of the Directors IFRS 17 will have no impact on the Company's financial statements.

- *Other changes*

  The following other new and amended standards which, have been issued by the IASB but which are effective in future periods will have no impact on the Company:

  - IFRIC 22 Foreign Currency Translations and Advance Consideration (effective 1 January 2018);
  - IFRIC 23 Uncertainty over Income Tax Positions (effective 1 January 2019);
  - Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1January 2019); and
  - Amendments to IAS 28:Long-term Interests in Associates and Joint Ventures (effective 1 January 2019).

INDEPENDENT AUDITOR'S REPORT

Notes to the Financial Statements

	2017 K	2016 K
8. Revenue		
Over flight fees	38,251,232	24,485,944
Air Navigation fees	16,138,944	15,386,969
Passenger service charges	121,339,385	124,394,518
Security charges	26,089,296	26,903,919
Cute and Cuss	6,921,883	7,326,902
Landing fees	53,314,137	57,638,160
Parking fees	2,397,361	2,707,500
Fuel through put fees	2,230,241	1,899,352
Car park	4,086,767	3,050,383
Ground handling	76,505,783	80,600,829
Rentals	18,507,121	19,649,669
Aviation infrastructure fees	51,562,900	52,275,451
	417,345,050	416,319,596
9. Finance income and costs		
Interest on loans	(17,664,714)	(19,990,204)
Interest on short term investments	1,374,074	3,284,948
Exchange gain/ (loss)	14,737	(4,664,725)
	(16,275,903)	(21,369,981)
10. Income tax expense		
a. Recognised in the statement of Comprehensive Income Income tax on normal income	12,777,839	36,605,139
Income tax on taxable other income	**4,410,665**	**2,729,550**
	17,188,504	39,334,689

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

a. Tax reconciliation

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

Tax at 35% on profit before tax	15,926,463	28,286,635
Non- deductible expenses	6,823,142	14,237,500
Movement in revaluation reserves	(5,561,101)	(3,189,446)
	17,188,504	**39,334,689**

INDEPENDENT AUDITOR'S REPORT

b. Income tax payable

Tax payable at beginning of year	46,761,524	38,191,836
Charge for the year (note 10(a))	17,188,504	39,334,689
Taxation paid	(41,780,698)	(30,765,001)
Taxation payable at end of year	**22,169,330**	**46,761,524**

c. Income tax returns have been filed with the Zambia Revenue Authority for all the years up to 31 December 2016. Quarterly tax returns for the period ended 31 December 2017 were made on the due dates during the year.

d. Deferred income tax

	1 January K	Not charged to profit & loss K	Charged to equity K	31 December K
31 December 2016 restated Deferred income tax liability (Recognised)				
Revaluation reserves	36,617,907	-	17,230,395	19,387,513
Deferred income tax asset (not recognised)				
Accelerated capital allowance	(33,116,095)	(113,530,939)	-	(146,647,034)
Exchange gains	24,720,593	(966,680)	-	23,753,913
Exchange losses	(29,674,936)	1,705,407	-	(27,969,529)
Debt impairment provision	(18,758,640)	35,946,282	-	17,187,642
	(56,829,078)	(76,845,930)	-	(133,675,008)

INDEPENDENT AUDITOR'S REPORT

	1 January	Charged to profit & loss	Not charged to profit & loss	Charged to equity	31 December
	K	K	K	K	K
Revaluation reserves	36,617,907	-	-	(17,230,395)	19,387,513
Deferred income tax asset (not recognised)					
Accelerated capital allowance	146,647,034)	-	131,687,703	-	(14,959,331)
Exchange gains	23,753,913	-	(23,748,755)	-	5,158
Exchange losses	(27,969,529)	-	27,969,529	-	-
Debt impairment provision	17,187,642	-	(51,534,140)	-	(34,346,498)
Deferred cost	-	-	(273,619)	-	(273,619)
	(97,027,974)	**-**	**84,100,718**	**-**	**(49,574,290)**
	(60,400,067)	**-**	**84,100,718**	**(17,240,395)**	**(30,186,778)**

INDEPENDENT AUDITOR'S REPORT

11. Property, plant and equipment

	Airport Terminal, Runways, Taxiways and Aprons	Motor Vehicles	Equipment and Furniture	Capital Work in Progress	Total
	K	K	K	K	K
Cost					
At 1 January 2016	581,726,742	15,836,568	209,385,642	19,380,817	826,329,769
Additions	10,237,238	7,632,366	39,606,679	-	57,476,283
Transfers	6,304,560	-	-	(6,304,560)	-
Disposals Adjustment	- (6,739,118)	-	- (17,125,356)	-	- (23,864,474)
At 31 December 2016	591,529,422	23,468,934	231,866,965	13,076,257	859,941,578
At 1 January 2017	591,529,422	23,468,934	231,866,965	13,076,257	859,941,578
Additions	5,554,522	1,929,601	9,810,902	14,790,940	32,085,965
Transfers	191,056	-	-	(191,056)	-
At 31 December 2017	597,275,000	25,398,535	241,677,867	27,676,141	892,027,543
Depreciation					
At 1 January 2016	90,463,383	11,156,586	141,741,714	-	243,361,683
Charge for the year	14,563,095	3,270,079	18,397,052	-	36,230,226
Adjustment	-	-	(14,479)	-	(14,479)
At 31 December 2016	105,026,478	14,426,665	160,124,287	-	279,577,430
At 1 January 2017	105,026,478	14,426,665	160,124,287	-	279,577,430
Charge for the year	14,586,835	3,436,730	20,844,814	-	38,868,379
At 31 December 2017	119,613,314	17,863,395	180,969,100	-	318,445,809
Net book value					
At 31 December 2017	477,661,687	7,535,140	60,708,767	27,676,141	573,581,734
At 31 December 2016	486,502,944	9,042,269	71,742,678	13,076,257	580,364,148

INDEPENDENT AUDITOR'S REPORT

	2017 K	2016 K

a. The Corporation's airport terminals, runways, taxiways and aprons were revalued at 31 March 2008 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. Surplus on valuation and depreciation no longer required totaling K305,619.40 million was transferred to revaluation reserve.

b. 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 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.

c. Included in the property, plant and equipment are leased motor vehicles with a net book value of K6,184,148.

d. Included in property, plant and equipment are fully depreciated assets with a total cost of K38, 679,014.

12. Financial assets at fair value through profit and loss

ZEGA Limited.- 10% interest	**2,615,608**	**1,710,761**

13. Inventories

Consumable stores	**4,408,916**	**3,224,512**

14. Trade and other receivables

Trade debtors	190,752,302	177,656,371
Less: provision for impairment losses (noted 24)	(84,927,909)	(69,033,664)
	105,824,393	**108,622,707**
Sundry creditors in debit	2,994,971	33,670,613
Less: provision for impairment losses	(1,047,518)	(33,670,613)
	1,947,453	**-**
Staff loans and advances	4,815,086	3,696,493
Deposits and prepayments	2,355,105	2,508,713
	114,942,037	**114,827,913**

INDEPENDENT AUDITOR'S REPORT

	2017 K	2016 K

15. Held to maturity financial assets

Intermarket Discount House	6,907,501	11,907,684
Atlasmara	6,719,619	11,364,658
Finance Building Society	111,657	108,082
	13,738,777	**23,380,424**
180 days fixed term deposits	111,656	108,082
91 days fixed term deposits	13,627,121	23,272,342
	13,738,777	**23,380,424**

16. Cash and cash equivalents

Cash in hand and at bank (note (a))	32,582,325	44,926,923
Bank overdrafts (note (b))	-	-
	32,582,325	**44,926,923**
(a) Cash in hand and at bank		
Bank balances	32,571,715	44,916,848
Cash in hand	10,610	10,075
	32,582,325	**44,926,923**

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.

17. Share capital

Authorised, issued and fully paid

16,458,500 ordinary shares of 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 Company into share capital. As at balance sheet date K14,988,322 had been allotted and the balance of K13,928,678 is held awaiting allotment of shares.

18. Capital grants

At beginning of the year	97,401,076	106,688,793
Amortisation during the year	(6,875,147)	(9,217,778)
Reversal of over amortisation	-	(69,939)
	90,525,929	**97,401,076**

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

INDEPENDENT AUDITOR'S REPORT

	2017 K	2016 K

19. Long-term loans

Zambia National Commercial Bank Plc		
Loan (1)	-	5,514,453
Loan (2)	5,679,176	9,471,501
Loan (3)	64,570,353	81,348,172
Loan (4)	17,525,417	21,623,490
Loan (5)	35,496,319	37,302,339
Balance at the year end	**123,271,265**	**155,259,955**
Portion repayable within next 12 months	37,267,861	38,706,665
Portion repayable after 12 months	86,003,404	116,553,290
	123,271,265	**155,259,955**

These ZANACO facilities represent US$30,000,000 loans bearing interest at 10% and repayable by June 2022. The loans are secured by the assignment of foreign currency receivables from IATA.

20.Obligations under finance leases

At beginning of the year	6,483,700	6,255,779
Additions during the year	2,926,245	3,649,818
Repayments during the year	(6,743,197)	(3,421,897)
At end of year	**2,666,748**	**6,483,700**
Repayable within next 12 months	2,666,748	4,871,911
Repayable after 12 months	-	1,611,789
	2,666,748	**6,483,700**

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

21. Deferred liability

Deferred liability relates to provision for terminal benefits amounting to K76.9 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.

At the beginning of the year	80,357,203	83,863,990
Interest	8,858,576	8,486,703
Payments	(12,224,908)	(11,993,490)
	76,990,871	**80,357,203**
Repayable within next 12 months	11,160,000	6,011,353
Repayable after 12 months	65,830,871	74,345,850
	76,990,871	**80,357,203**

INDEPENDENT AUDITOR'S REPORT

The Corporation on 1 April 2008 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:

	2017 K	2016 K
Current year contribution on defined contribution scheme	6,025,242	4,901,008
Interest on discontinued long service gratuity.	8,858,576	8,486,703
	14,883,818	**13,387,711**

22. Trade and other payables

Trade creditors(note i)	47,526,411	36,697,826
Debtors in credit	6,249,367	7,942,425
Accruals	12,457,423	10,674,077
Other creditors and provisions	10,570,175	5,730,694
	76,803,376	**61,045,022**

Note i

Current	350,943	4,811,490
Past due-1-90 days	9,333,344	3,450,319
Past due-91-365 days	6,040,931	5,988,158
Past over 365 days	31,801,193	22,447,859
	47,526,411	**36,697,826**

23. Financial instruments

Capital management

The Board manages the Companỳ s capital to ensure that the Company 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 Company 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 Company has a 56% gearing ratio (2016: 65%).

INDEPENDENT AUDITOR'S REPORT

Categories of financial instruments

Financial assets

	Note	2017 K	2016 K
Cash and bank balances	16 (a)	32,582,325	44,926,923
Receivables from employees	14	4,815,086	3,696,493
Deposits and prepayments	14	2,355,105	2,508,713
Trade receivables	14	105,824,393	108,622,707
Held to maturity investments	15	13,738,777	23,380,424
Trade payables debit balances	14	1,947,453	33,670,613
		161,263,139	**216,805,873**
Finance liabilities held at amortised cost or fair value			
Trade payables	22	47,526,411	36,697,826
Trade receivables-credit balances	22	6,249,367	7,942,425
Accruals	22	12,457,423	10,674,077
Other payables and provisions	22	10,570,175	5,730,694
Zambia National Commercial Bank Plc-long-term loans	19	123,271,265	155,259,955
Stanbic Bank Zambia Limited-finance leases	20	2,666,747	6,483,700
Employee terminal benefits	21	76,990,871	80,357,203
		279,732,259	303,145,880

Financial risk management objectives

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

The Company does not enter into or trade in derivative financial instruments.

Market risk

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

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

INDEPENDENT AUDITOR'S REPORT

	2017 K	2016 K

Foreign currency risk management

The Company` 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 Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Currency	Asset/liabilities	2017 K	2016 K
US Dollars	Trade creditors	(592,399)	(751,476)
US Dollars	Bank balances	1,640,567	2,615,920
US Dollars	Receivables	16,696,376	15,665,929
US Dollars	ZANACO loans	(12,311,983)	(14,251,955)
US Dollars	Stanbic finance leases	(266,347)	(657,042)

The Company is exposed to foreign exchange risk arising primarily from importation of goods and receivables denominated in foreign currency

	Mid-market exchange rates as at 31 Dec 2017	Mid-market exchange rates as at 31 Dec 2016	Average currency appreciation during the year
US Dollars	**10.0123**	**9.868**	**1.46%**

At 31 December 2017, if the US Dollar had appreciated or depreciated by 10% against the Kwacha, with all other variables held constant, the increase or decrease in the profit for the year would have been K516,621 (2016: K5,131,198).

INDEPENDENT AUDITOR'S REPORT

31December 2017	Note	1 to 3 months K	3 months to 1 year K	More than 1 year K	Total K
Liabilities					
Trade payables	22	47,526,411	-	-	47,526,411
Trade receivables-credit balances	22	6,249,367	-	-	6,249,367
Accruals	22	12,457,423	-	-	12,457,423
Other creditors and provisions	22	10,570,175	-	-	10,570,175
Zambia National Commercial Bank	19	-	37,267,861	86,003,404	123,271,265
Stanbic bank Zambia Limited- leases	20	-	2,666,747	-	2,666,747
Employee terminal benefits	21	-	11,160,000	65,830,871	76,990,871
		76,803,376	**51,094,608**	**151,834,275**	**279,732,259**
31 December 2017					
Assets					
Bank and cash balances	16(a)	32,582,325	-	-	32,582,325
Held to maturity investments	15	13,627,120	111,657	-	13,738,777
Staff loans and advances	14	1,858,358	1,603,857	1,352,871	4,815,086
Deposits and prepayments	14	2,355,105	-	-	2,355,105
Trade receivables	14	105,824,393	-	-	105,824,393
Trade payables-debit balances	14	1,947,453	-	-	1,947,453
		158,194,754	**1,715,514**	**1,352,871**	**161,263,139**
31 December 2016					
Liabilities					
Trade payables	22	36,697,826	-	-	36,697,826
Trade receivables-credit balances	22	7,942,425	-	-	7,942,425
Accruals	22	10,674,077	-	-	10,674,077
Other creditors and provisions	22	5,730,694	-	-	5,730,694
Zambia National Commercial Bank	19	-	38,706,665	116,553,290	155,259,955
Stanbic Zambia Limited- lease	20	-	4,871,911	1,611,789	6,483,700
Employee terminal benefits	21	-	6,011,353	74,345,850	80,357,203
		61,045,022	**49,589,929**	**192,510,929**	**303,145,880**

INDEPENDENT AUDITOR'S REPORT

				2017 K	2016 K
31 December 2016	**Note**	**1 to 3 months K**	**3 months to 1 year K**	**More than 1 year K**	**Total K**
Assets					
Bank and cash balances	16(a)	44,926,923	-	-	44,926,923
Held to maturity financial assets	15	23,272,342	108,082	-	23,380,424
Staff loans and advances	14	1,914,975	1,580,537	200,981	3,696,493
Deposits and prepayments	14	2,508,713	-	-	2,508,713
Trade receivables	14	108,622,707	-	-	108,622,707
Trade payables in debit balances	14	33,670,613	-	-	33,670,613
		214,916,273	**1,688,619**	**200,981**	**216,805,873**

Fair value measurements

The information set out below provides information about how the Company 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 Company considers relevant and observable market prices in its valuations where possible.

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis.

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period. The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

INDEPENDENT AUDITOR'S REPORT

Note		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets		K	K	K	K
Bank and cash balance	16(a)	32,582,325	32,582,325	44,926,923	44,926,923
Held to maturity investments	15	13,738,777	13,738,777	23,380,424	23,380,424
Trade receivables	14	105,824,393	105,824,393	108,622,707	108,622,707
Receivables from employees	14	4,815,086	4,815,086	3,696,493	3,696,493
Deposits and prepayments	14	2,355,105	2,355,105	2,508,713	2,508,713
Sundry creditors in debit	14	2,994,971	2,994,971	33,670,613	33,670,613
Financial liabilities					
Trade payables	22	47,526,411	47,526,411	36,697,826	36,697,826
Trade receivables-credit balances	22	6,249,367	6,249,367	7,942,425	7,942,425
Employee terminal benefits	21	76,990,871	76,990,871	80,357,203	80,357,203
Other payables and provisions	22	10,570,175	10,570,175	5,730,694	5,730,694
Accruals	22	12,457,423	12,457,423	10,674,077	10,674,077
Zambia National Commercial Bank	19	123,271,265	123,271,265	155,259,955	155,259,955
Stanbic bank Zambia Limited	20	2,666,747	2,666,747	6,483,700	6,483,700

INDEPENDENT AUDITOR'S REPORT

	2017 K	2016 K

24. Financial risk management Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross K	2017 Impairment K	Net K	Gross K	2016 Impairment K	Net K
Current	7,528,326	-	7,528,326	15,075,550	-	15,075,550
Past due 0 -30 days	15,476,975	9,080,732	6,396,243	1,296,731	-	1,296,731
Past due 31-90 days	5,964,498	-	5,964,498	1,992,083	-	1,992,083
Past due 91-120days	1,003,317	-	1,003,317	411,514	-	411,514
Past due 121-180 days	160,779,186	(75,847,177)	84,932,009	158,880,493	(69,033,664)	89,846,829
	190,752,302	**(84,927,909)**	**105,824,393**	**177,656,371**	**(69,033,664)**	**108,622,707**

		Restated
Movement in impairment provision		
At beginning of the year	69,033,664	74,024,201
Recovery during the year	(612)	(7,008,152)
Charge during the year	15,894,857	-
At year end	84,927,909	69,033,664

25. Related party transactions

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

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

Government ministries and parastatals; Pension fund; Board members; and Key management personnel.

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

INDEPENDENT AUDITOR'S REPORT

	2017 K	2016 K
a. Key management compensation		
Salaries and other short term employee benefits	**6,978,343**	6,719,035
Termination benefits	**9,044,324**	12,171,456
c. Directors fees	**1,686,740**	1,840,378

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

26. Prior year adjustment

	Deferred tax liability K	Revaluation reserves K
Balance as at 31 December 2014 as previously reported	104,622,597	165,129,995
Being reversal of deferred tax on valuation for 2014	(88,916,152)	88,916,152
Being deferred tax movement	58,707,352	(58,707,352
	(30,208,800	**30,208,800**
Restated balance as at 31 December 2014	74,413,797	195,338,795
Balance as at 31 December 2015 as previously reported	157,489,517	104,622,592
Being reversal of deferred tax on valuation for 2014	(88,916,152)	88,916,152
Being deferred tax movement in 2014	58,707,352	(58,707,352
Being reversal of deferred tax on valuation for 2015	(52,866,920)	52,866,920
Being deferred tax movement	(19,292,466)	19,292,466
	(102,368,186)	**102,368,186**
Restated balance as at 31 December 2015	55,121,331	206,990,778
Balance as at 31 December 2015 as previously reported	191,433,256	63,038,373
Being reversal of deferred tax on valuation for 2014	(88,916,152)	88,916,152
Being deferred tax movement in 2014	58,707,352	(58,707,352
Being reversal of deferred tax on valuation for 2015	(52,866,920)	52,866,920
Being reversal of deferred tax on valuation for 2016	(33,943,739	33,943,739
Being deferred tax movement in 2015	(19,292,466)	19,292,466
Being deferred tax movement	(18,503,424)	18,503,424
	(154,815,349)	154,815,349
Restated balance as at 31 December 2016	**36,617,907**	**217,853,722**

INDEPENDENT AUDITOR'S REPORT

	2017 K	2016 K

Prior year adjustments relate to overstatement of deferred tax liabilities in prior years.

27. Contingent liabilities

a. Court cases

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

28. Capital commitments

Approved by the board but not contracted	**37,861,362**	**5,019,972**

29. Events subsequent to the reporting date

As at the date of signature of these financial statements, there were no material facts or circumstances that have occurred between the accounting date and the date of approval of the financial statements which may require adjustment to or disclosure in these financial statements.

30. Employee costs

Salaries and wages	143,623,951	119,685,044
Other staff costs	41,217,551	34,019,218
	184,841,502	153,704,262

INDEPENDENT AUDITOR'S REPORT

31. Other operating expenses

	2017 K	2016 K
Printing and stationary	6,192,558	5,020,127
Books and periodicals	57,862	33,712
Subscriptions-Company	483,875	436,062
Office expenses	485,454	1,135,445
Postage	4,886,017	302,259
Telephone and internet	3,005,138	2,220,218
Cleaning materials	1,996,790	1,001,609
Travel expenses – local	8,485,727	2,915,346
Travel expenses-foreign	2,403,684	1,823,084
Electricity	3,458,085	2,937,632
Water	346,366	298,950
Land rates	1,568,395	4,038,152
Hire of transport	5,566,966	5,121,717
Aviation security	12,686,940	4,043,007
Security expenses	2,623,398	1,417,898
Cargo and mail	7,347,774	10,441,696
Cleaning services	1,865,119	1,619,215
SITA charges	6,467,571	12,389,379
Insurance	281,901	337,273
Staff uniforms	739,081	1,191,774
Protective clothing	2,646,375	333,012
Firefighting form	713,350	1,583,412
Motor vehicle expenses	3,996,012	3,579,391
Repairs and maintenance	19,075,996	28,074,158
Consultancy	1,660,425	25,390
Legal fees	613,428	135,900
External audit	814,499	299,999
Directorѐs fees and expenses	1,686,740	1,840,378
Balance carried forward	**102,155,526**	**94,596,195**

INDEPENDENT AUDITOR'S REPORT

	2017 K	2016 K
Balance brought forward	**102,155,526**	**94,596,195**
Entertainment	299,993	124,490
Marketing	13,299	11,403
Corporate promotions and advertising	6,431,014	4,198,748
Donations	161,953	434,525
Tender evaluation expenses	293,936	192,627
Licensing	804,252	134,830
Specialised Government services	337,918	255,964
VAT expenses	(26,147)	(78,962)
Sundry expenses	1,251,731	226,810
Bank charges	5,958,242	1,118,851
IATA charges	7,407,661	6,706,685
Debt impairment provision	15,894,857	2,017,615
Provision against debit balances in trade payables	-	33,670,613
Provision against sundry debtors	1,047,518	-
Council of Air Navigation Services Organisation	700	37,500
Greenfield airport expenses	384,134	1,202,821
Mulungushi VIP expenses	494,900	577,578
ACI Council meeting	4,643,089	-
Total expenditure	**147,554,576**	**145,428,293**

INDEPENDENT AUDITOR'S REPORT

Appendix 1: Detailed Statement of Profit or Loss and Other Comprehensive Income

	2017 K	2016 K
Revenue	**417,345,050**	**416,319,596**
Other income		
Capital grants amortised	6,875,147	9,217,778
Sundry income	8,824,343	5,006,194
Debt impairment provision write back	-	7,008,152
Total other income	**15,699,490**	**21,232,124**
Finance costs		
Interest on loans	(17,664,714)	(19,990,204)
Interest income on short term investments	1,374,074	3,284,948
Exchange gain/(loss)	14,737	(4,664,725)
Net finance costs	**(16,275,903)**	**(21,369,981)**
Less:		
Expenditure		
Depreciation	(38,868,379)	(36,230,226)
Employees costs		
Salaries and wages	(143,623,951)	(119,685,044)
Other staff costs	(41,217,551)	(34,019,218)
	(184,841,502)	(153,704,262)
Other operating expenses (note 31)		
	(147,554,576)	(145,428,293)
Profit before tax	**45,504,180**	**80,818,958**
Income tax	(17,188,504)	(39,334,689)
Profit after tax	**28,315,676**	**41,484,269**

KENNETH KAUNDA INTERNATIONAL AIRPORT,
P.O. Box 30175, Lusaka,
Tel: +260 211 271 313 | +260 211 271 044,
Email: zacl@zacl.aero

SIMON MWANSA KAPWEPWE INTERNATIONAL AIRPORT,
P.O. Box 70095, Ndola,
Tel: +260 212 614 226 | +260 212 611 193-5,
Fax: +260 212 612 635,
Email: zaclndapm@zacl.aero

HARRY MWAANGA NKUMBULA INTERNATIONAL AIRPORT,
P.O.Box 60199, Linvingstone,
Tel: +260 213 321 153,
Fax: +260 213 324 235,
Email: zaclliv@zacl.aero

MFUWE INTERNATIONAL AIRPORT,
P.O. Box 2, Mfuwe,
Tel: +260 216 245 006,
Fax: +260 216 245 029,
Email: zaclmf@zacl.aero