National AIRPORTS Corporation Limited

National Airports Corporation Limited

ANNUAL REPORT

2013

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Financial Highlights

	Dec. 2013 ZMW	Dec. 2012 ZMW	% Variation
Turnover	182,668,386	113,011,692	62
Other Income	8,528,857	10,247,722	-17
Finance Charges	8,056,912	5,743,700	40
Profit/ (Loss) before tax	18,789,748	9,845,402	91
Cash & Cash Equivalents	7,568,534	7,056,135	25
Asset Capitalisation	125,457,216	40,828,637	7
Total Assets	**594,646,513**	**487,398,027**	**22**

Traffic Highlights

	Dec 2013	Dec 2012	% Variation
Total Passenger Numbers	1,543,144	1,362,113	13
Domestic	300,055	263,636	14
International	1,243,089	1,098,477	13
Paying Passengers	561,052	417,372	34
Domestic	133,436	88,481	51
International	427,616	328,891	30
Total Aircraft Movements	**66,238**	**51,661**	**28**

Board Chairpersons
Statement

It is with great pleasure that I present the report on the operations of National Airports Corporation Limited for the year ended 31 December 2013.

I am happy to report that the year 2013 was a successful year for the Corporation. We registered a profit after tax of K13.18million while operating turnover was K182.67 million.

The passenger numbers for the both domestic and international grew by 21.2 per cent and 11.53 percent respectively. Kenneth Kaunda and Simon Mwansa Kapwepwe recorded positive performances in both domestic and international by 15.12 percent and 14.43 percent respectively. On the other hand Harry Mwaanga Nkumbula recorded a negative growth in international passengers but recorded a growth of 33.9 percent in the domestic sector performing above all the other airports. The respective airports performance was as follows;

AIRPORT	Passenger number
Kenneth Kaunda International Airport	1,064,950
Simon Mwansa Kapwepwe International Airport	256,882
Harry Mwaanga Nkumbula International Airport	195,550
Mfuwe International Airport	25,762

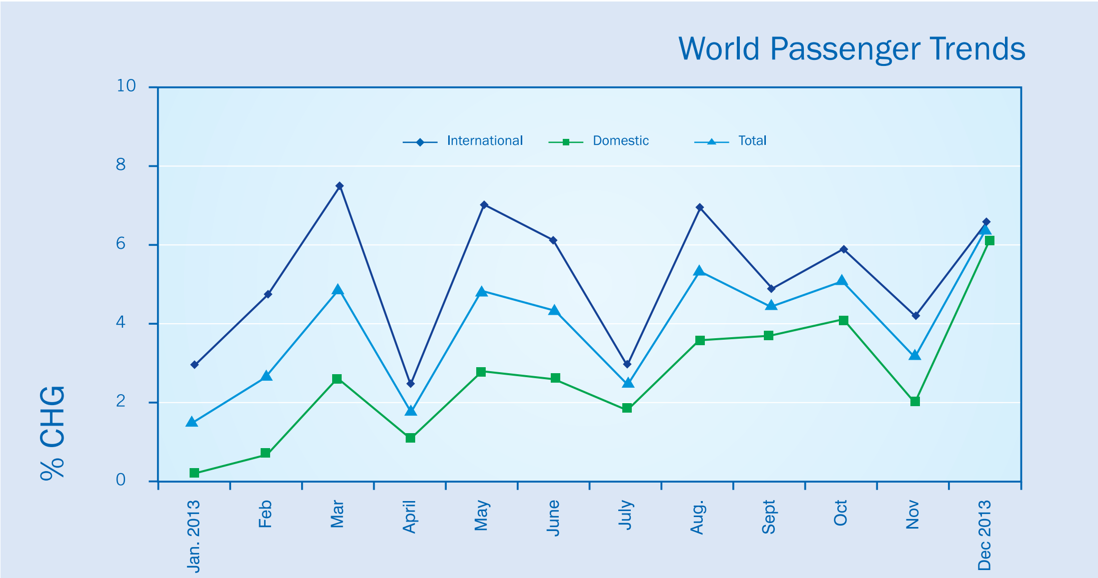
1. EXTERNAL ENVIRONMENT

1.1 Global Economy 2013

The USA economy registered moderate growth in the first quarter of 2013 with the USD currency strengthening against other world currencies. In the Sub Sahara Africa, low oil prices have considerably reduced growth in commodity exporting countries. Africa's economy grew by 4.6 percent being 0.2 percent below last year due to negative impact of the slowdown in developed economies.

1.2 Domestic Economy 2013

The real GDP growth for 2013 was below the 7 percent recorded in 2012. This is basically attributed to the slow- down in production in the agriculture sector with the production of maize and cotton decreasing by 11.4 percent and 48.5 respectively. The local currency suffered major setback against other convertible currencies. The first six months in the year saw kwacha depreciating to other currencies, this was attributed to the high import bills and market player's position taking ahead of implementation of Statutory Instrument No. 55 (SI55)



2. INTERNAL ENVIRONMENT

2.1 TOURISM

Passenger Traffic

The total passenger traffic for the financial year under review and for two preceding years is summarized below:

Year	DESCRIPTION	NUMBERS	GROWTH
Dec 2013	Domestic Passengers	300,055	21.20%
Dec 2013	International Passengers	1,243,089	11.53%
	Total Passengers	**1,543,144**	**13.29%**
Dec 2012	Domestic Passengers	247,562	21.07%
Dec 2012	International Passengers	1,114,551	10.68%
	Total Passengers	**1,362,113**	**12.48%**

A further analysis of Passenger numbers by Airport

Airport	PAX Number - 2013	PAX Number - 2012
Kenneth Kaunda International Airport	1,064,950	925,077
Simon Mwansa Kapwepwe International Airport	256,882	224,483
Harry Mwaanga Nkumbula International Airport	195,550	186,361
Mfuwe International Airport	25,762	26,192

The increase in passenger movement performance at KKIA and SMKIA is attributable to the commencement of new flights by Ethiopian Airlines and increased frequencies by South African airways, Kenya Airways and Proflight Zambia (at KKIA). We also saw the introduction of a B737 by Proflight which enhanced the domestic capacity.

During the period under review, there were varied factors affecting passenger numbers;

(a) Positive factors

- Emirates airlines introduced the Boeing 777 long range in February, 2013 increasing capacity though they withdrew it later on siting low yields on the high value cabins.
- Ethiopian Airlines introduced flights operated directly into SMKIA starting with three flights weekly but increasing them to five flights weekly within a few months.
- Proflight increased aircraft size from the usual Jet Streams to a Boeing 737.
- Kenya Airways commenced flights into HMNIA
- South Africa Airways increased its frequencies by an additional two flights into KKIA

(b) Negative factor

- Precision Air suspended flights into KKIA sighting change of strategy as the airline faced stiff competition.
- British Airways discontinued their flights into KKIA after more than seventy years of operations.

2.2 HIV/AIDS

The Corporation continued to provide support for the HIV/AIDS policy and the Voluntary Medical Scheme (VMS) that was launched on 4th April 2003. There is marked improvement in reduction of cases of absenteeism, sickness and deaths due to AIDS related conditions. Management has continued to strive to achieve its goal of maintaining a healthy workforce.

The number of staff and spouses benefiting from the scheme in terms of anti-retroviral therapy and counselling increased from 26 for the previous financial year to 32 for the period under review.

2.3 CORPORATE PERFORMANCE

The Corporation's operating revenue was K182Million for the financial year ended December 2013 compared to K113Million for the nine months ending December 2012. After expenses of K172Million, this resulted in a profit after tax of K13Million.

2.6 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 under review the Corporation held the following Board meetings.

Names	Meetings held	Meetings Attended
Ms Mubanga Musakanya - **Board Chairperson**	6	6
Ms Kutemba Konga	6	6
Mr Lazarous Chota	6	6
Mr Felix Nkulukusa,	6	6
Dr Atanga Muyenga ,	6	6
Mr Julius Shawa,	6	6
Mr Robinson Misitala	6	6

Appointments and Staff Matters Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Mr Lazarous Chota	5	5
Ms Beatrice Mutambo	5	5
Mr Bannie Lombe	5	5
Ms Kutemba Konga	5	5
Mr Robinson Misitala	5	5

Finance Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Mr Nonny Mwanyungwi	4	4
Mr Michael Mbulo	4	4
Dr Abraham Mwenda	4	4
Mr Felix Nkulukusa,	4	4
Mr Robinson Misitala	4	4

Audit Risk and Compliance Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Ms Kutemba Konga	6	6
Ms Joe M Chisanga	6	6
Mr George Ndongwe	6	6
Mr George Sitali	6	6
Mr Julius J Shawa	6	6

Airport	December - 2013	December - 2012
OPERATING INCOME		
Airport Services	164,453,397	100,707,239
Air Navigation Services	18,214,989	12,304,453
Other Income	8,528,857	10,247,722
TOTAL	**191,197,243**	**123,259,414**
EXPENSES	**172,407,495**	**113,414,012**
PROFIT/(LOSS) AFTER TAX	**13,185,990**	**3,618,101**

2.4 MAJOR PROJECTS

The Corporation's major project continued to be the construction of the new terminal building at Harry Mwaanga Nkumbula International Airport. The main building structure are comprising of concourse, departure and arrivals. The building is substantially complete and though not commissioned became functional in August 2013. This was to facilitate the hosting of the United Nations World Tourism Organisation (UNWTO) conference.

2.5 STAFF HEAD COUNT

The Corporation deployed optimum numbers at the designated airports in its effort to fulfill its vision and mission statement.

The head count strength for the year ending December 2013 was 771 against approved establishment of 805. New employees were recruited to maintain optimum staffing levels in critical areas of company operations.

Business and Development Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Ms Kutemba Konga	2	2
Mr George Sitali	2	2
Mr Ngenda Situmbeko	2	2
Mr Robinson Misitala	2	2
Mr Robinson Misitala	2	2

2.7 CORPORATE SOCIAL RESPONSIBILITY

At National Airports Corporation Limited, we take pride in participating in Corporate Social Responsibility. We are committed and focused to improving and supporting education, health and culture in our communities.

Over the years we have supported programmes such as community based radio stations, traditional ceremonies, donated materials to schools and institutions dealing with vulnerable people in society.

The Corporation's social investment is directed at projects intended to make a difference in ordinary people's lives.

2.8 SPORT

The Corporation encourages its members of staff to engage in various sports disciplines as a way of keeping healthy. The Corporation fully sponsors football, netball and darts teams at its four airports.

2.9 FUTURE FOCUS

In line with the Corporation vision and mission, the Corporation will continue to focus its attention on the infrastructure upgrade and improvement of safety and security at all the four airports. Despite its financial constraints the Corporation would like to construct a modern terminal building at Simon Mwansa Kapwepwe International airport. The Corporation will also invest more in modern Ground Handling equipment to position itself for new business.

Managing Director's Report

1. PRINCIPAL ACTIVITIES

I am delighted to report on the activities of National Airports Corporation Limited for the year ending December 2013. The Corporation base its execution of its operations on the following core values.

- Integrity
- Reliability
- Customer Satisfaction
- Safety and Security
- Quality
- Employee Commitment
- Employee Motivation
- Enhancing Shareholders Value

The Corporation financial performance was positive, recording a profit after tax of K13.18 and operating turnover of K182.67. This was 63% above nine months to December 2012 results. This achievement was due to a committed management team and dedicated staff.

The corporation operates through three divisions, Airport Services, Air Navigation Services and Head Office.

2. AIRPORT SERVICES DIVISION

1.1 Function

The responsibilities of the Airport Services Division are as follows:

- Sales and Marketing of the airport facilities and service and business development to enhance revenue generation through aviation and non-aviation activities.
- Airport Safety and Security.
- Ground Handling Services
- Fire and Rescue Services
- Infrastructure Development and maintenance
- The division's income is broken down into aeronautical and non-aeronautical revenue

1.2 Aeronautical Revenue

Aeronautical revenue is broken down into:
- Passenger Service Charge
- Landing
- Parking
- Ground Handling Services, and
- Equipment Hire

1.3 Non-Aeronautical Revenue

Non aeronautical revenue encompasses:
- Restaurants/Duty Free shops
- Advertisements
- Rentals and concessions
- Short and long-term parking.

Management will continue to explore growth possibilities of non – aeronautical sector with the view to grow the revenue base which less susceptible to risks associated with the aviation industry. This has been achieved by the construction of the Harry Mwaanga Nkumbula International Airport which has more commercial rental space.

2.2 Business Environment

The Corporation's main income contributor remains to be Passenger Service Charge which accounted for 37.26% of total revenues. With increased traffic into our airports we recorded a year on year growth in passenger numbers as per table below.

Passenger Traffic by Airport.

Airport	Dec 2013	Dec 2012	Variance	% Growth
KKIA	1,064,950	925,077	139,873	15
HMIA	195,550	186,361	9,189	5
SMKIA	256,882	224,483	32,399	14
MFUWE	25,762	26,192	(430)	(2)
TOTAL	1,543,144	1,362,113	109,582	13

2.2.1 New Route Developments Business

During this financial year, the following airlines increased their frequencies:

- Emirates airlines introduced the Boeing 777 long range in February, 2013 increasing capacity though they withdrew it later on siting low yields on the high value cabins.
- Ethiopian Airlines introduced flights operated directly into SMKIA starting with three flights weekly but increasing them to five flights weekly within a few months.
- Proflight increased aircraft size.
- Kenya Airways commenced flights into HMNIA
- South African Airways increased its frequencies by an additional two flights into KKIA

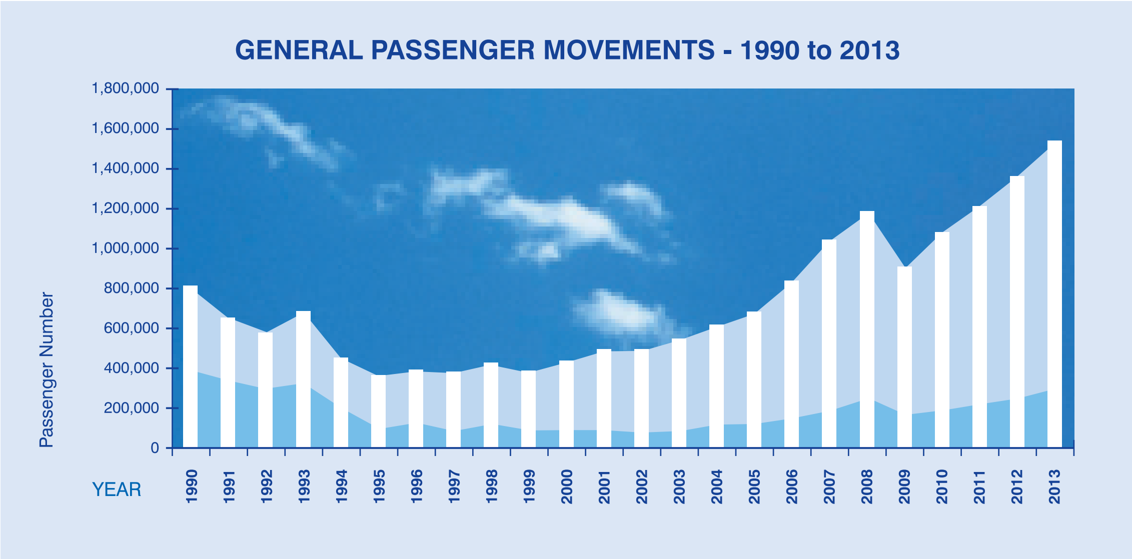
During the year we also had two airlines suspending their flights into KKIA as follows:

- Precision Air suspended flights into KKIA sighting change of strategy as the airline faced stiff competition.
- British Airways discontinued their flights into KKIA after more than seventy years of operations.

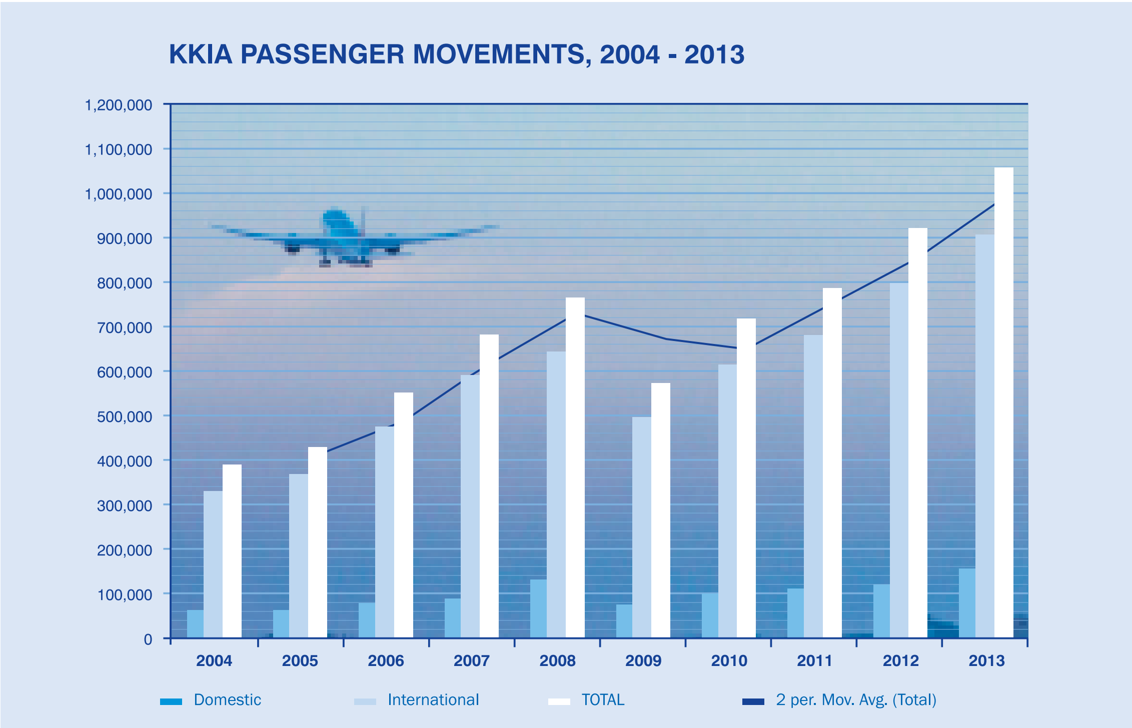
2.2.2 Passenger Traffic

The total passenger traffic for the period under review was 1,543,144 compared to 1,362,113 for the year ending December 2012. This performance represented an overall positive growth of 13.29%. See table below;

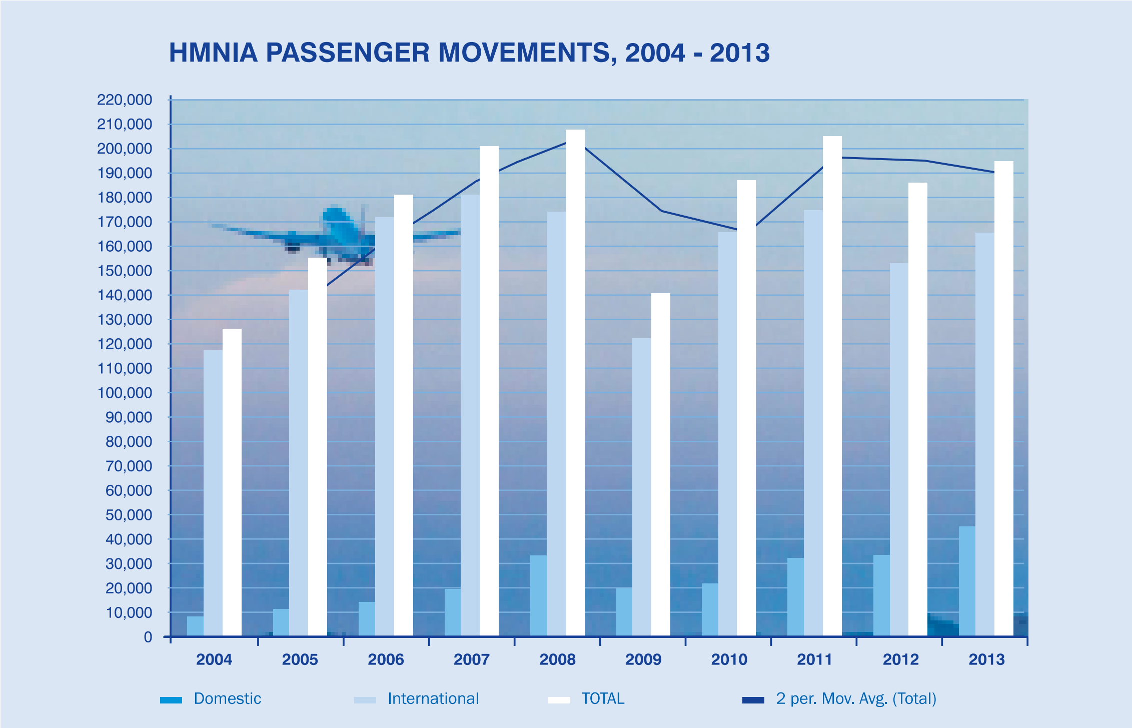
Year	Domestic	% Change	Int'l	% Change	TOTAL	% Change
2004	115,775	32.25%	499, 980	9.93%	**615, 755**	13.53%
2005	124,684	7.70%	559, 560	11.92%	**684, 244**	11.12%
2006	148,289	18.93%	696, 888	24.54%	**845, 177**	23.52%
2007	182,372	22.98%	866, 404	24.32%	**1, 048, 776**	24.09%
2008	258,549	41.77%	922, 362	6.46%	**1, 180, 911**	12.60%
2009	167,661	(35.15%)	745, 202	(19.21%)	**912, 863**	(22.70)
2010	191,451	14.19%	894, 796	20.07%	**1, 086, 247**	18.99%
2011	224,810	17.42%	992, 861	10.96%	**1, 217, 671**	12.10%
2012	247,562	10.12%	1,114,551	12.26%	**1,362,113**	11.86%
2013	300,055	21.20%	1,243,089	11.53%	**1,543,144**	13.29%

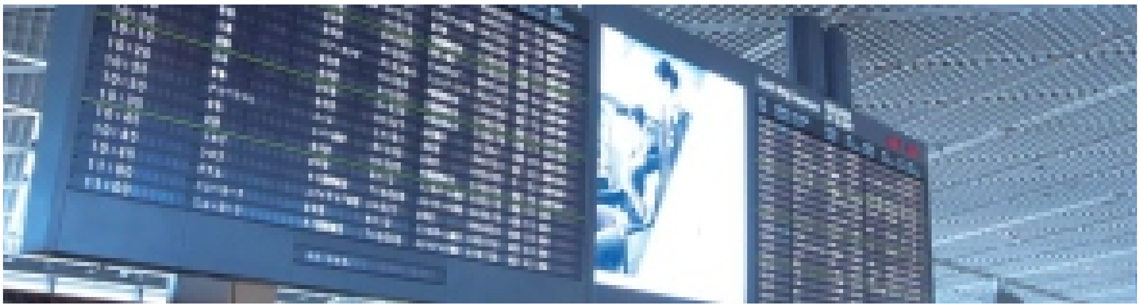


2.3.1 Kenneth Kaunda International Airport

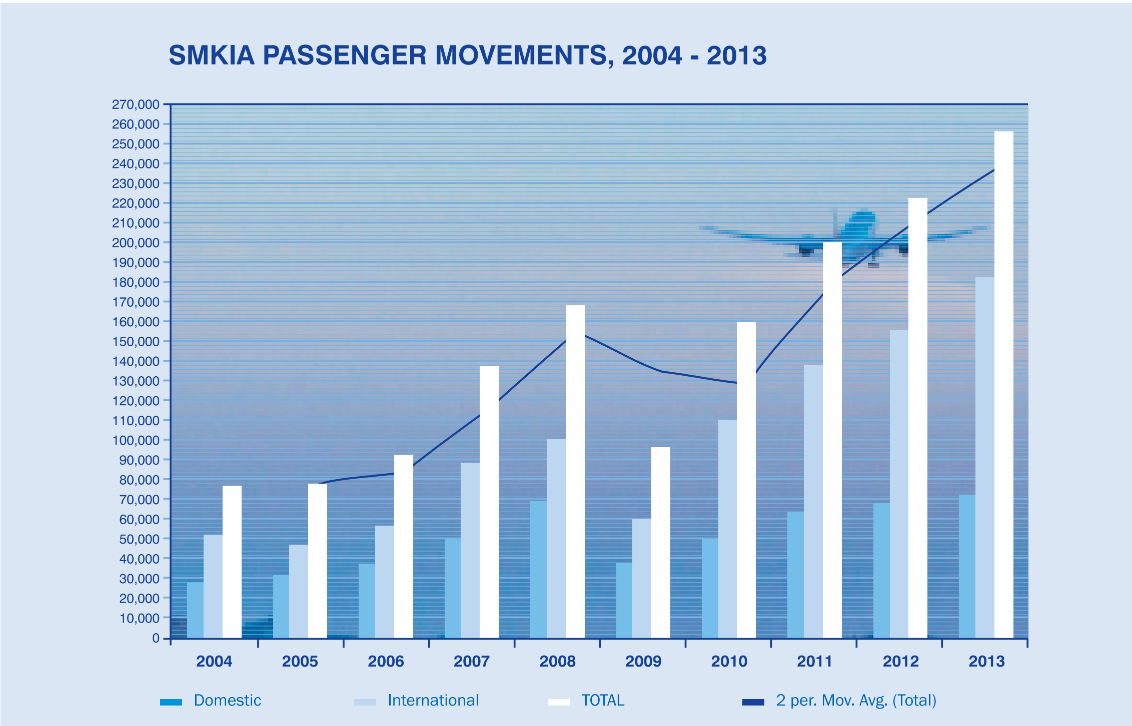


2.3.2 Harry Mwaanga Nkumbula International Airport

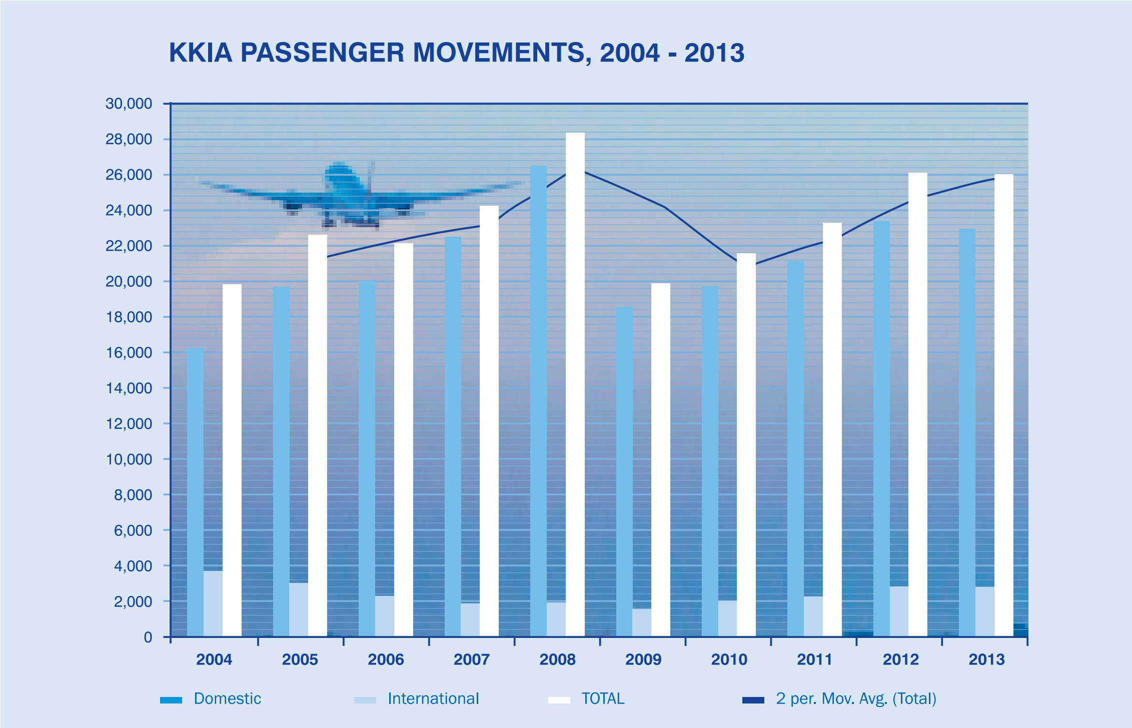




2.3.3 Simon Mwansa Kapwepwe International Airport



2.3.4 Mfuwe International Airport

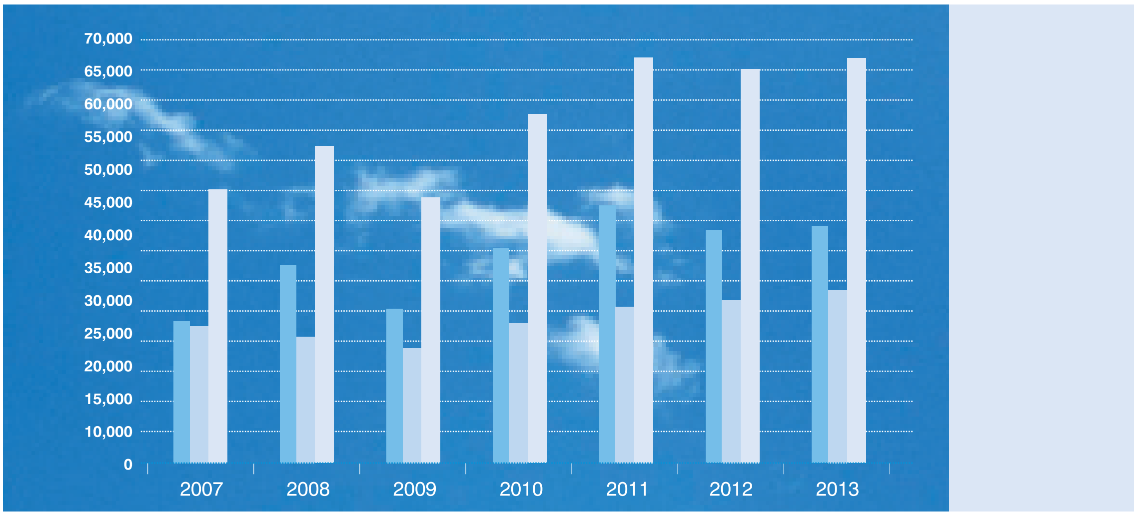


2.4 Aircraft Movement

During the period January to December, 2013, the total Aircraft movements recorded where 66,238 compared to 64,476 during the same period of 2012 giving us a 2.73% positive growth. This performance can be attributed to the introduction of frequencies by various operators as indicated above. The performance in the respective airports was Kenneth Kaunda with 37,748, Simon Mwansa Kapwepwe with 11,173, Harry Mwaanga Nkumbula with 13,058 and Mfuwe with 4,259 total aircraft movements.

This represents percentage growths of 5.72%; (5.78) %; (2.41) %; and 20.65% respectively for Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe airports. The notable change is the negative performance at Simon Mwansa Kapwepwe International Airport which is attributed to the introduction of the 737 by Proflight and subsequent withdrawal of some frequencies operated by smaller aircrafts. Below is a summary of aircraft movement performance.

CONSOLIDATED AIRCRAFT MOVEMENTS, 2007 – 2013



Cargo Movements

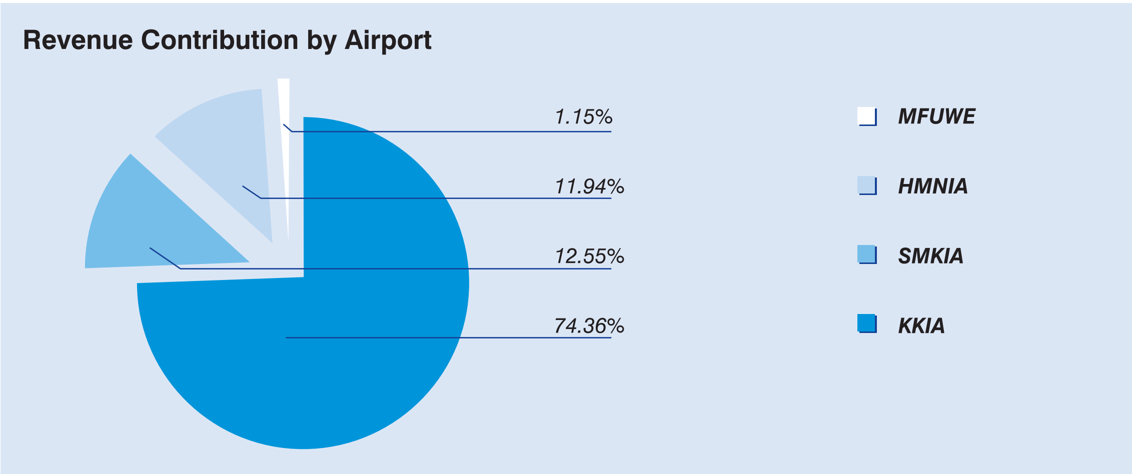
During the period under review 22,886 metric tons of cargo was handled predominantly through Kenneth Kaunda International Airport. This was a 64.3% more than the same period last year. The main catalyst for this growth was the introduction of KLM creating a direct route for export of flowers to the Netherlands which is one of the major importers of flowers from Africa.

2.5. Paying Passenger Statistics by Airport December 2013 vs. December 2012

As can be seen from the table below, all the airports with the exception of Harry Mwaanga International Airport international passengers recorded positive performances.

Station/ Passenger		2012 Financial Year				2013 Financial Year				Compared To last Year	
Category		ACT	BUD	VAR	% DIF	ACT	BUD	VAR	% DIF	GROWTH	% DIF
KKIA	Dom	50 290	50 685	-395	-1%	65 492	51 631	13 861	27%	15 202	30.23%
	Int.	280 817	302 788	-21 971	-7%	296 805	285 658	11 147	4%	15 988	5.69%
TOTAL		**331 107**	**353 473**	**-22 366**	**-6%**	**362 297**	**337 289**	**25 008**	**7%**	**31 190**	**9.42%**
SMKIA	Dom	30 798	28 393	2 405	8%	35 713	33 572	2 141	6%	4 915	15.96%
	Int.	51 915	61 433	-9 518	-15%	54 785	55 095	-310	-1%	2 870	5.53%
TOTAL		**82 713**	**89 826**	**-7 113**	**-8%**	**90 498**	**88 667**	**1 831**	**2%**	**7 785**	**9.41%**
HMKIA	Dom	15 874	14 585	1 290	9%	20 505	18 757	1 748	9%	4 631	29.17%
	Int.	80 252	99 405	-19 153	-19%	74 859	89 598	-14 739	-16%	-5 393	-6.72%
TOTAL		**96 126**	**113 990**	**-17 864**	**-16%**	**95 364**	**108 355**	**-12 991**	**-12%**	**-762**	**-0.79%**
MFUWE	Dom	10 488	10 463	25	0%	11 726	11 147	579	5%	1 238	11.80%
	Int.	1 035	1 083	-48	-4%	1 167	1 052	115	11%	132	12.75%
TOTAL		**11 523**	**11 547**	**-24**	**0%**	**12 893**	**12 199**	**694**	**6%**	**1 370**	**11.89%**
	Dom	107 450	104 126	3 324	3%	133 436	115 107	18 329	16%	25 986	24.18%
	Int.	414 019	464 710	-50 691	-11%	427 616	431 403	-3 787	-1%	13 597	3.28%
GRAND TOTAL		**521 469**	**568 836**	**-47 367**	**-8%**	**561 052**	**546 510**	**14 542**	**3%**	**39 583**	**7.59%**

2.5.5 Revenue by Airport January– December 2013



2.6 Scheduled Airlines

In the year under review the Airports were serviced by the following airlines frequencies operated by smaller aircrafts. Below is a summary of aircraft movement performance.

INTERNATIONAL	KKIA	HMNIA	SMKIA	MFUWE
SOUTH AFRICA AIRWAYS	✓	✓	✓	×
KENYA AIRWAYS	✓	×	✓	×
SOUTH AFRICAN AIRLINK	✓	×	✓	×
BA-COMAIR	×	✓	×	×
PRECISION AIR	✓	×	✓	×
EMIRATES AIRLINES	✓	×	✓	×
KLM R/DUTCH AIRLINES	✓	×	✓	×
ETHIOPIAN AIRLINES	✓	×	×	×
BRITISH AIRWAYS	✓	×	×	×
AIR ZIMBABWE	✓	×	×	×
AIR MALAWI	✓	×	×	×
1TIME AIRLINES	×	✓	×	×
FAST JET	✓	×	×	×
AIR BOTSAWANA	✓	×	×	×
AIR NAMIBIA	✓	×	×	×
ANGOLA AIRLINES	✓	×	×	×
PROFLIGHT	✓	✓	✓	✓

2.7 Zambia Based Charter Operators

INTERNATIONAL	KKIA	HMNIA	SMKIA	MFUWE
PRO CHARTER	✓	✓	✓	×
STARAVIA	✓	×	✓	×
AVOCET	✓	×	✓	×
SEFOFANE	×	✓	×	×
STAR OF AFRICA	✓	×	✓	×
ZAMFARI*	✓	×	✓	×
NGWAZI AIR CHARTERS	✓	×	✓	×

2.8 CARGO AIRLINES

INTERNATIONAL	KKIA	HMNIA	SMKIA	MFUWE
SAA CARGO	✓	✓	✓	×
KENYA AIRWAYS	✓	✓	✓	×
ETHIOPIAN AIRLINES	✓	×	✓	×
CARGO LUX	✓	×	×	×
EMIRATES AIRLINES	✓	×	×	×

2.9 Airport Facilities

2.9.1 Kenneth Kaunda International Airport

Items	Description	Amount (ZMW)	Status
1.1	Tilling of Arrival Hall and VIP Lounges	1,014,656	Completed
1.2	Rehabilitation of Control Tower	248,879.86	Completed

2.9.2 Simon Mwansa Kapwepwe International Airport

No projects were carried out in the year under review

2.9.3 Harry Mwaanga Nkumbula International Airport

Items	Description	Amount (ZMW)	Status
3.1	Rehabilitation of the Terminal Building - Phase I	39,930,545	Partially Complete
3.2	Rehabilitation of the Terminal Building - Phase II	27,007,445	Work in Progress

2.9.4 Mfuwe International Airport

Items	Description	Amount (ZMW)	Status
4.1			
4.2			

2.10 Constraints

2.10.1 Infrastructure

Old dilapidated Infrastructure continues to be a challenge for the Corporation. The program to modernize passenger facilities continues to be the Corporations priority. Harry Mwaanga Nkumbula International Airport having received the first attention. Tenders for Kenneth Kaunda, Harry Mwaanga Nkumbula and Mfuwe have been concluded awaiting financiers.

The new developments are expected to change the outlook of the airports in order for the Corporation to enhance its revenue through the non-aeronautical sector.

QUALITY MANAGEMENT

During the year under review, the Quality Management System underwent a re- certification audit. The QMS was found to comply with the requirements of ISO 9001:2008.The new Certificate expires on 15th February 2017.

RISK MANAGEMENT

Risk and Compliance Management Policy Statement

National Airports Corporation Limited 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 (2012 – 2017).

ENVIRONMENT POLICY

The Corporation is committed to prevention of pollution, effective waste management, minimisation of consumption of resources and overall environmental degradation. National Airports Corporation Limited is commitment to comply with the requirements and continually improve the performance and suitability of its Environmental Management System. Management has implemented an Environmental Policy to guide the Organisation.

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

3. AIR NAVIGATION SERVICES DIVISION

3.1 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 therefore:

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

Revenue

The Division earns its revenue by charging fees for the provision of air navigation services. These are international over flights and both domestic and international navigation fees.

3.2 Aircraft Movements, performance and Revenue

3.2.1 Aircraft Movements

A total of 78,373 movements were handled during the year under review. The total movements for the year under review compared to the previous year indicate an increase from 75,890 movements to 78,373 movements giving a difference of 2,483 movements representing an increase of 3.27 %.

The following factors contributed to the performance in this sector:

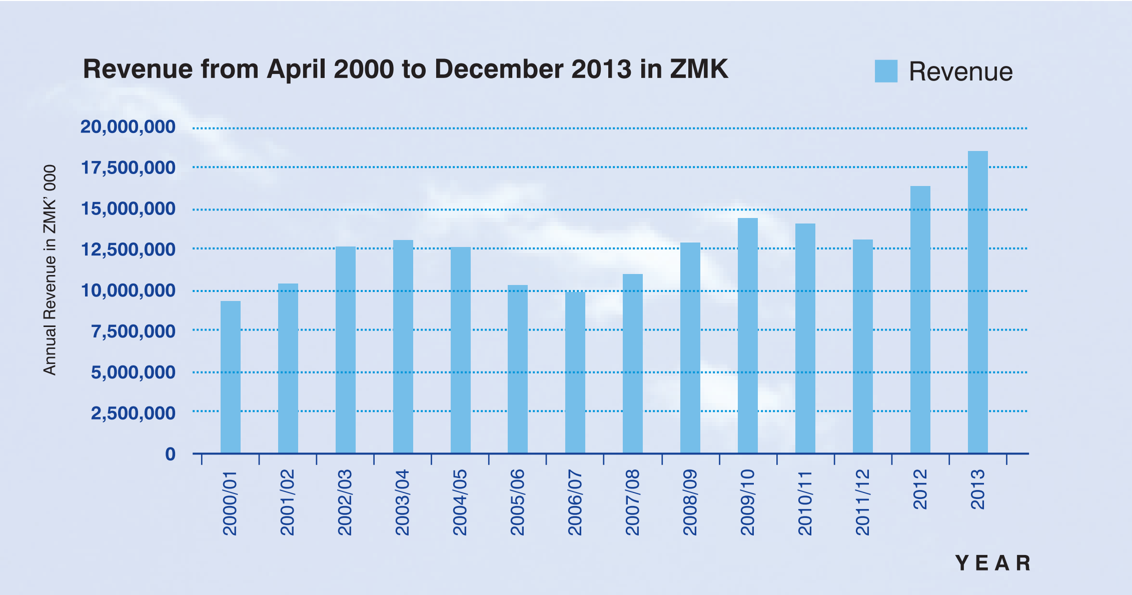
- The Some operators introduced new routes e.g. into Congo DR, Malawi and Durban, among others while some increased number of flights due to increased demand for more seat capacity.
- Aircraft operators using much larger types of aircrafts from the smaller aircrafts they have been using all along.
- Aircraft operators changing the shorter routing/distances they have always used to longer distances/routes through the Zambian Airspace
- Some operators operating their regular daily flights introduced more flights to meet the increased demand for seat capacity.

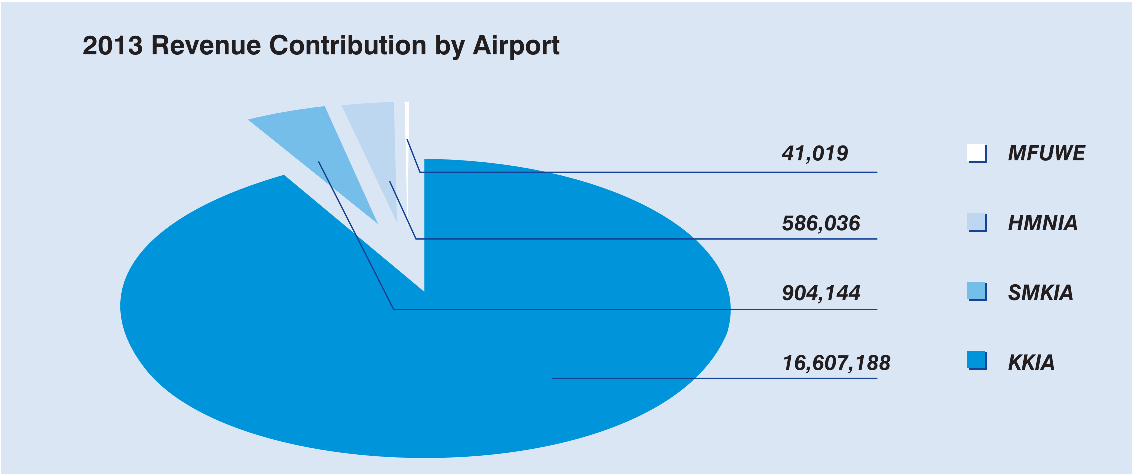
The break down by category of aircraft movements for the period January 2013 to December 2013 when compared to the previous year is as follows:

AIRCRAFT MOVEMENTS COMPARISON

Category	Jan - Dec 2013	Jan - Dec 2012	Variance
DOMESTIC	25,152	24,357	795
INTERNATIONAL	19,947	18,008	1,939
OVER-FLIGHTS	18,579	17,110	1,469
OTHERS	14,695	16,415	-(1,720)
TOTAL	**78,373**	75,890	2,483

3.2.2 Revenue Progression Charts





The revenue contributions by category by percentage are as follows: 78% over-flights, 21% International Navigation and 1 % Domestic Navigation

PROJECTS

In the year ending 31 December 2013 the Air Navigation Service Division (ANSD) continued to implement the corporate strategy through projects described hereunder.

Aeronautical Message Handling System (AMHS)

- The Division completed the implementation of Aeronautical Message Handling System and the Aeronautical Information System (AMIS) project.

RADAR

- Initiated the implementation of the Zambia Air Traffic Management Radar System which is being implemented in corroboration with the Zambian Government.

WAN

- The Corporation acquired a Network Operator license from the ZICTA for the implementation of the Aeronautical Telecommunication Network (ANT) on the Zesco fibre. The ANT will be used for aeronautical and administration voice and data messaging.

AWOS

- The Corporation initiated the implementation of Automatic Weather Observatory Station (AWOS) for reliable Meteorological information to the designated airports.

4. CORPORATE FINANCIAL RESULTS

4.1 Revenue

The Corporation turnover in the year under review was K182.67 Million compared to nine months December 2012 of K113 Million, this was 63% above compared to the previous year. Passengers numbers terminating at all the four airports increased compared to the previous year due to increased flight frequencies by scheduled airlines.

Table 1: Revenue by income Type

Airport Services	Dec. 2013 ZMW	9 Months Dec. 2012 ZMW	Percentage
Passenger Service Charge	63,876,784	44,699,420	43
Landing Fees	23,863,837	14,922,101	60
Ground Handling Fees	28,865,597	17,790,015	62
Aviation Security	13,204,059	9,186,112	44
Aircraft Parking	1,410,456	1,289,301	9
Aviation Infrastructure fees	14,724,651	-	100
Cute and Cuss	2,437,185	1,775,368	37
Other	16,070,828	11,044,922	46
Total	**164,453,397**	**100,707,239**	63
AIR NAVIGATION			
Over flights	13,707,883	9,078,271	51
Navigation fees	4,507,106	3,226,182	40
Others	-	-	
Total	**18,214,989**	**12,304,453**	48
Grand Total	**182,668,386**	**113,011,692**	62
Average exchange rate	**5,110**	**5,110**	3
Year End rates	**5,268**	**5,268**	0

Table 1: Revenue by income Type

EXPENSES	Dec. 2013 ZMW	Dec. 2012 ZMW	Percentage
Personnel	93,897,666	57,897,915	13
Depreciation	18,208,730	13,937,356	-8
Finance costs	8,056,912	5,743,700	92
Other costs	52,244,187	35,835,041	31
TOTAL	**172,407,495**	**113,414,012**	28
Profit/(loss) before Tax & exchange gain/(loss)	18,789,748	(5,783,414)	
			7
Tax	(5,603,758)	11,797,862	-89
Exchange gain/(loss)	505,348	956,600	-78
Profit after Tax and exchange gain/(loss)	13,185,990	6,971,048	-93

Expenditure

The total expenditure in the year under review was 28% above last year due to the variations in prices as well as the fact that the period under review was a full year compared to the previous nine months period.

Operating Turnover by airport

Airport Services	Dec. 2013 ZMW	Dec. 2012 ZMW	Percentage
Lusaka	120,312,165	74,526,183	61
Ndola	21,460,342	12,637,286	70
Livingstone	19,830,815	17,920,931	11
Mfuwe	2,344,727	1,426,250	64
Air Navigation income	**18,214,989**	**12,304,453**	48
Exchange gain	**505,348**	**4,444,311**	(89)
	182,668,386	**123,259,414**	48

4.2 The Corporation recorded a profit of K13.18Million after taking into account income tax of K5.6Million.

5. HUMAN RESOURCES

HUMAN RESOURCES REPORT FOR PERIOD ENDED DECEMBER 2013

The Human Resources Department provided effective Human Resources consultancy and support services to the Corporation during the period under review.

Staff Headcount

Division	H/O	KKIA	SMKIA	HMNIA	MFUWE	P/A	TOTAL	EST
MD's Office	14	0	0	0	0	0	14	15
Finance	14	0	3	3	1	0	21	19
APS	17	323	88	112	26	0	546	569
ANS	16	70	17	15	11	7	136	141
HR	17	2	4	3	2	0	28	32
Legal	18	1	5	4	1	0	26	29
TOTAL	**94**	**395**	**117**	**137**	**41**	**7**	**771**	**805**

The staff headcount for the period ending 31 December 2013 was seven hundred and seventy one (771) against approved establishment of eighty hundred and five (805) as tabulated above. A total number of one hundred and one (101) new employees were recruited during the year, of which forty two (42) were on permanent and pensionable terms while fifty nine (59) were on fixed term contracts

Labour Turnover

The Corporation recorded thirty five (35) separations which included nineteen (19) resignations, eight (8) retirements, four (4) deaths and four (4) dismissals.

Training and Development

The Corporation provided staff training and development in a continued effort to maintain a skilled, competent and motivated workforce and ensure provision of high quality service to the customers. The Corporation trained a total of three hundred and thirty seven (337) employees both locally and abroad.

Technical	12	52
Operational	21	256
Management	07	16
HIV/AIDS	00	00
QMS	01	13
Type of Course	**No. Program**	**Participants**
Operational	45	906
Management	04	140

Industrial and 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.

Collective Bargaining

Management received demands for improved salaries and conditions of service from the two unions Airways Allied Workers Union of Zambia (AAWUZA) and National Union Airways Allied Workers (NUAAW). Negotiations commenced with the two unions in January 2013 separately.

Labour Day

NACL joined the rest of the world in commemorating the Labour Day on 1st May 2013. In appreciation for the dedicated long service rendered to the Corporation, seventeen (17) employees who had clocked ten years of unbroken service and six who had clocked 20 years of unbroken service were awarded with long service certificates. In addition thirty three (33) deserving employees were honoured with cash awards and Labour Day certificates for various attributes.

NACL Pension Schemes

The Corporation had two pension schemes administered by Madison Life Insurance Company Zambia Limited and ZSIC Life Limited. Management continued the process of transferring the accrued benefits under the restructured in-house non-contributory scheme to the two pension schemes mentioned above.

HIV/AIDS

The Corporation continued to provide support for the HIV/AIDS policy and Voluntary Medical Scheme (VMS) that was launched on 4th April 2003 with marked improvement in reduction of cases of absenteeism, sickness and deaths due to AIDS related conditions.

The number of staff and spouses benefiting from the scheme in terms of anti-retroviral therapy and counselling increased from 26 for the previous financial year to 32 for the period under review.

6.0 THE BOARD AND MANAGEMENT

6.1 Board of Directors

Directors and Secretary who served on the Board during the year were:

- Ms Mubanga B. Musakanya - Board Chairperson
- Mr Lazarous Chota - Member
- Ms Kutemba Konga - Member
- Mr Julius Shawa - Member
- Mr Felix Nkulukusa - Member
- Dr Muyenga Atanga - Member
- Mr Robinson Misitala - Member

6.2 Board and Management

Ms Mubanga Musakanya
Chairperson

Ms Maggie Banda Kaunda
Corporation Secretary

Mr Julius Shawa
Member

Mr Lazarous Chota
Member

Ms Kutemba Konga
Member

Mr Felix Nkulukusa
Member

Dr Muyenga Atanga
Member

Mr Robinson Misitala
Managing Director

6.3 Management

During the year, management consisted of the following:-

Mr Robinson Misitala
Managing Director

Mr Frank Chinambu
Dir. Air Navigation Services

Mr Prince Chintimbwe
Director Airport Services

Mr Tapiwa Chikumbu
Finance Director

Mr Gilford Malenji
Director Human Resources

Ms Maggie B. Kaunda
Corporation Secretary

6.4 Airport Managers

During the year, Airport Managers were as follows:

Mr Fridah M. Mulenga
Airport Manager
KKIA

Mr Augustine M. Chalwe
Airport Manager
Mfuwe International Airport

Mr Joseph Mumbi
Airport Manager
SMKIA

Mr Vivian M. Sikanyela
Airport Manager
HMNIA

FINANCIAL STATEMENT

For the year ending 31 December 2013

National AIRPORTS Corporation Limited

DIRECTORS' REPORT
for the Year ended 31 December 2013

The directors submit their report and audited financial statements for the Year ended 31 December 2013.

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 the designated international airports, namely Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe as well as air navigation services throughout Zambia.

3. Share capital

The Corporation's authorised, issued and fully paid up share capital comprises 16,458,500,000 ordinary shares of K1 each.

4. Results

The Corporation's results are as follows:

	31 December 2013 ZMW	31 December 2012 ZMW
Operating revenue	**182,668,387**	**113,011,692**
Profit before tax	**18,789,748**	**9,845,402**
Income tax expense	**(5,603,758)**	**(6,227,301)**
Profit for the year/period	**13,185,990**	**3,618,101**

The Corporation achieved revenue of K183 million during the twelve months compared to K113 billion for the previous nine last year. Operating costs during the twelve months period amounted to K173 billion (2012 – K113 billion) resulting into a profit before tax of K19 million (2012– K10 million) after taking into account other income and other charges.

5. Dividends

The Corporation made a profit before tax of K9,306,343 for the year ended 31 December 2014. However, the company incurred a loss after tax of K132,741 and it has accumulated losses at the end of the year of K7,911,443. In the light of the above, the directors do not recommend a dividend for the year ended 31 December 2014.

6. Directors and secretary

The Directors and secretary who served during the year were:

Ms Mubanga Musakanya - Chairperson
Mr Robinson Misitala - Managing Director
Ms Kutemba Konga - Member
Mr Lazarous Chota - Member
Dr Muyenga Atanga - Member
Mr Felix Nkulukusa - Member
Mr Julius Shawa - Member

The Secretary is:
Ms Maggie Banda Kaunda
Zambia Airports Corporation Limited
(Formerly National Airports Corporation Limited)
Lusaka International Airport
P O Box 30175, LUSAKA

7. Industrial relations

The Corporation enjoyed industrial harmony throughout the year.

8. Employees

The Corporation had 771 full time employees at the year end (31 December 2013 – 712) and total salaries and wages were K72 million for the year ended 31 December 2013 (December 2012 – K44 billion). The average number of employees in each month of the year was:

January 2013	**776**
February 2013	**776**
March 2013	**778**
April 2013	**778**
May 2013	**780**
June 2013	**780**
July 2013	**782**
August2013	**783**
September 2013	**773**
October 2013	**780**
November 2013	**782**
December 2013	**771**

9. Gifts and donations

The Corporation made donations of K91 ,000 for a number of activities during the Year (December 2012 – K279 000).

10. Property, plant and equipment

Additions to property, plant and equipment totalling K125 Million were made during the Year (31 December 2012 – K41 billion).

11. 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.

12. Financial statements

The financial statements set out on pages 7 to 37 have been approved by the directors.

13. Auditors

Ernst & Young, 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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the Year ended 31 December 2013

The Company's directors are responsible for the preparation and fair presentation of the financial statements of Zambia Airports Corporation Limited (Formerly National Airports Corporation Limited), comprising the statement of financial position as at 31 December 2013, and statements of profit or loss and other comprehensive income, statement of changes I equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include 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's responsibility includes : designing, implementing and monitoring internal controls 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 estimates that are reasonable in the circumstances.

The director's 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 Company as indicated above were approved by the directors on …………………….. and are signed on its behalf by:

Mubanga Musakanya
Chairperson

Robinson Misitala
Director

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ZAMBIA AIRPORTS CORPORATION LIMITED

(Formerly National Airports Corporation Limited)

We have audited the financial statements of National Airports Corporation Limited set out on pages 7 to 37, which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the Year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1994 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Zambia Airports Corporation Limited (Formerly National Airports Corporation Limited) as at 31 December 2012 and its financial performance and cash flows for the Year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1994.

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 company's statement of financial position and profit and loss account are in agreement with the books of account.

Ernst & Young

Ernst & Young
Chartered Accountants

HCNondo

Henry C Nondo
Partner, Practising Certificate Number 0000601

13 July 2015
Lusaka

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year ended 31 December 2013

	Note	12 months to 31 December 2013 ZMW	9 months to 31 December 2012 ZMW
Revenue	7	**182,668,386**	113,011,692
Expenditure			
Depreciation		**(18,208,730)**	(13,937,356)
Employee costs		**(93,897,666)**	(57,897,915)
Other operating expenses		**(52,244,187)**	(35,835,041)
		18,317,803	5,341,380
Other income		**7,517,935**	5,780,257
Profit from operations		**25,835,738**	11,121,637
Net exchange gains		**505,348**	4,444,311
Fair value adjustment	11	**-**	-
Finance costs		**(8,056,912)**	(5,743,700)
Finance income		**505,574**	23,154
Profit before tax	8	**18,789,748**	9,845,402
Income tax expense	9(a)	**(5,603,758)**	(6,227,301)
Profit for the year		**13,185,990**	3,618,101
Other comprehensive income		**-**	-
Total comprehensive income		**13,185,990**	3,618,101

STATEMENT OF CHANGES IN EQUITY

for the Year ended 31 December 2013

	Share Capital ZMW	Amount received pending allotment ZMW	Revaluation reserves ZMW	Accumulated loss ZMW	Total ZMW
At 31 March 2012	**16,458,500**	16,458,500	275,057,473	(45,594,119)	259,850,532
Total comprehensive					
income	**-**	-	-	3,618,101	3,618,101
Transfer	**-**	-	(5,730,360)	5,730,360	-
At 31 December 2012	**16,458,500**	16,458,500	269,327,113	(36,245,658)	263,468,633
Total comprehensive					
income	**-**	-	-	13,185,990	13,185,990
Transfer	**-**	-	(7,640,483)	7,640,483	-
At 31 December 2013	**16,458,500**	16,458,500	261,686,630	(15,419,185)	276,654,623

STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	2013 ZMW	2012 ZMW
ASSETS			
Non-current assets			
Property, plant and equipment	10	**594,646,513**	487,398,027
Financial assets at fair value		**1,248,000**	1,248,000
through profit and loss	11		
		595,894,513	488,646,027
Current assets			
Inventories	12	**1,210,720**	1,174,461
Trade and other receivables	13	**51,806,515**	40,504,933
Held to maturity financial assets	14	**95,070**	15,090,845
Cash and cash equivalents	15	**10,399,715**	7,829,968
		63,512,020	64,600,207
Total assets		**659,406,533**	553,246,234
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**16,458,500**	16,458,500
Amounts received pending allotment		**13,928,678**	13,928,678
Revaluation reserves		**261,686,630**	269,327,113
Accumulated profit (losses)		**(15,419,185)**	(36,245,658)
		276,654,623	263,468,633
Non-current liabilities			
Capital grants	17	**117,005,404**	122,234,493
Long-term loans	18	**87,062,081**	36,613,984
Deferred income tax	9(e)	**15,706,445**	15,706,445
Obligations under finance leases	19	**864,755**	2,670,874
Deferred liability	20	**83,750,078**	85,366,925
		304,388,763	262,592,721
Current liabilities			
Short term portion of long-term loans	18	**14,592,500**	4,034,122
Obligations under finance leases	19	**2,767,659**	1,306,977
Trade and other payables	21	**48,425,573**	17,204,709
Income tax payable	9(c)	**6,146,234**	265,239
Bank overdraft	15	**2,831,181**	773,833
Deferred liability	20	**3,600,000**	3,600,000
		78,363,147	27,184,880
		659,406,533	
Total equity and liabilities			**553,246,234**

The financial statements on pages 7 to 40 were approved by the Board of Directors on…………………… and were signed on its behalf by:

Mubanga Musakanya
Chairperson

Robinson Misitala
Director

STATEMENT OF CASH FLOWS

for the Year ended 31 December 2013

	2013 ZMW	2012 ZMW
Cash inflow from operating activities		
Profit before tax	**18,789,748**	9,845,401
Profit on disposal of property, plant and equipment	**-**	5,743,700
Interest paid	**8,056,912**	(23,154)
Interest received	**(505,574)**	1,868,897
Unrealised exchange (gain)/losses on long term loans	**505,348**	-
Depreciation	**18,208,730**	13,937,356
Amortisation of capital grants	**(5,229,089)**	(3,921,817)
Decrease in inventories	**(36,259)**	602,772
Decrease(/increase) in trade and other receivables	**(11,301582)**	(3,551,901)
(Decrease)/increase in trade and other payables	**31,998,101**	(1,499,197)
(Decrease)/increase in deferred liability	**(1,616,847)**	1,857,015
Net cash flows from operating activities	**58,869,488**	24,724,532
Returns on investments and servicing of finance		
(Increase)/Decrease in held to maturity financial assets	**14,995,775**	(15,000,000)
Purchase of shares		
Interest received	**505,574**	23,154
Interest paid	**(8,056,912)**	(5,743,700)
Net cash flows from/(used on) returns on investments and servicing of finance	**7,444,437**	(20,720,546)
Income tax paid	**(500,000)**	-
Investing activities		
Purchase of property, plant and equipment	**(125,457,216)**	(40,828,637)
Proceeds on disposal of property, plant & equipment	**-**	-
Adjustment to property, plant and equipment	**-**	
Net cash flows used on investing activities	**(125,457,216)**	(40,828,637)
Financing activities		
Grants received	**-**	47,275,573
Long-term loan received	**75,093,627**	-
Finance lease received	**2,422,222**	2,414,196
Finance lease repaid	**(2,767,659)**	(1,281,977)
Repayment of loans	**(14,592,500)**	(10,156,923)
Net cash flows from financing activities	**60,155,690**	38,250,869
Increase/decrease in cahs and cash equivalents	**512,399**	1,426,218
Cash and cash equivalents at beginning of the year	**7,056,135**	5,629,917
Cash and cash equivalents at end of the year	**7,568,534**	7,056,135

NOTES TO THE FINANCIAL STATEMENTS

for the year ending 31 December 2013

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 the designated international airports, namely Kenneth Kaunda International Airport, Simon Mwansa Kapwepwe, Harry Mwaanga Nkhumbula and Mfuwe International Airports as well as air navigation services throughout Zambia.

3. Basis of preparing the financial statements - going concern basis

During the Year, the Corporation made a profit of K9,845 million before tax and its non current liabilities increased to K263 billion from K213 billion in the previous year. The Corporation meets its day to day working capital requirements before tax from its own generation of funds through the collection of various fees.

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.

3.1 Change of accounting date

In 2012, the Corporation changed its accounting date from 31 March to 31 December in line with the new Government financial year.

Consequently, the financial statements presented are for twelve months to 31 December 2013 as compared to nine months in the last financial year to December 2012.

4. 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.

5. Principal 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.

(a) Basis of presentation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment and certain financial assets and liabilities at fair value through profit and 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 Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(i) Amendments to published standards effective in 2010

The following new and revised standards and interpretations are effective for the corporation's financial statements for the financial year beginning 1 April 2010 and have been adopted by the corporation where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements:

IFRS 1 (amendments) - Additional exemptions for first time adopters
IFRS 2 (amendments) - Group cash - settled share based payment transactions
IFRS 3 (revised 2008) - Business combinations
IAS 27 (revised 2008) - Consolidated and separate financial statements

(ii) Interpretations to published standards that are not yet effective and have not been adopted early for the company's operations:

The following new amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 July 2010 or later periods but the company has not early adopted them for the company's operations:

Standard or Interpretation Effective for reporting periods starting on or after

IFRS 7 Disclosures – transfers of financial assets amendments 1 July 2011

IFRS 9 Financial instruments (to replace

IAS 39) 1 January 2013

Annual improvements 2010 1 July 2010

Most of these amendments become effective for reporting periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 improvements amend certain provisions of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments.

Based on the corporation's current business model and accounting policies, management does not expect material impact on its financial statements when the standards or interpretations become effective.

(b) Revenue recognition

Revenue is recognised on an accrual basis.

(c) 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 recognised 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.

Increases 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 asset are charged against fair value 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.

Depreciation is calculated to write off the cost of property, plant 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:

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 asset when commissioned.

Borrowing costs, being interest payable on loans are added to the carrying amount 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 retained earnings.

(d) 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 element of the leasing commitments is 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 accounting period. 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.

(e) Financial assets

The Corporation classifies its investments into the following categories: financial assets at fair value through income, 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-evaluate this at every reporting date.

(i) Financial assets at fair value through income

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

A financial asset is classified into the 'financial assets at fair value through income' 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 income 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 these assets. The designation of these assets to be at fair value through income eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;

managed and whose performance is evaluated on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through income.

(ii) 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 income or available for sale. Debtors and receivables are recognised 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.

(iii) 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 of debtors and receivables that the Corporation's management has the positive intention and ability to hold to maturity. These assets are recognised 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.

(iv) 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 derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Corporation has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through income are subsequently carried at fair value. Debtors and receivables and held-to-maturity financial assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through income category are included in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised 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 realised gains or losses on financial assets.

Interest on available-for-sale securities is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised 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) Impairment of assets

(i) Financial assets carried at amortised 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. 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 reorganisation; 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 risk 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 recognised are not included in a collective assessment of impairment.

If there is objective evidence that an 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 recognised in the statement of comprehensive income.

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

(ii) 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 recognised in income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not subsequently 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 recognised in income.

(iii) Impairment of other non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its 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 the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Inventories

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

(h) 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.

(i) 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 amortised over the life of that liability. Borrowing costs are charged to the statement of comprehensive income for the year in which they are incurred.

(j) Grants

Capital grants are amortised 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 instalments over the expected useful lives of the related assets.

(k) Short term and long term loans

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

(l) 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 taxation liabilities are recognised 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 recognised 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 the financial statements and their tax base, and accounted for as deferred tax.

Deferred taxation assets are recognised 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 utilised.

(m) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Translation differences on non-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.

(n) Employee benefits

(i) Pension obligations

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

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Corporation recognises 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.

(o) Provisions

Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when: the Corporation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised 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.

(p) 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.

5. 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
(c) estimation of the provision and accruals
(d) recoverability of trade and other receivables

6. Management of financial risk

6.1 Financial risk

The Corporation is exposed to a range of financial risks through its financial assets and financial liabilities (borrowings). The most important components of this financial risk are interest rate risk and credit risk.

These risks arise from open positions in interest rate and business environments, all of which are exposed to general and specific market movements.

The Corporation manages these positions with a framework that has been developed to monitor its customers and return on its investments.

6.1.1 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. Key area where the Corporation is exposed to credit risk is amounts due from customers.

The Corporation structures the levels of credit risk it accepts by placing limits on its exposure to the level of credits given to a single customer. Such risk is subject to an annual or more frequent review. Limits on the level of credit risk by category and territory are approved annually by the Board of Directors.

6.1.2 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 characteristic 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.

7. Revenue

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.

	31 December 2013 ZMW	9 Month to December 2012 ZMW
Over flight fees	13,707,883	9,078,271
Navigation fees	4,507,106	3,226.182
Passenger fees	63,876,784	44,699,420
Security charges	13,204,059	9,186,112
CUTE and CUSS	2,437,185	1,775,368
Landing fees	23,863,837	14,922,101
Parking fees	1,410,456	1,289,301
Fuel through put fees	3,181,117	1,999,154
Car park	1,896,213	1,282,436
Ground handling	28,865,597	17,790,015
Excess baggage	27,741	3,828
Rentals	10,965,758	7,759,503
Aviation infrastructure fees	14,724,651	
	182,668,387	**113,011,692**

8. Profit

Profit/(loss) before tax is stated after charging:		
Auditors' remuneration	**357,795**	250,355
Depreciation	**20,636,010**	13,937,356
Directors' fees and expenses	**1,157,397**	635,178
Interest paid	**8,056,912**	5,743,700
and after crediting:-		
Interest received	**505,574**	23,154

9. Income tax expense/(recoveries)

a. Recognised in the statement of comprehensive income

Income tax on normal income	4,864,959	-
Income tax on taxable other income	738,799	265,239
Deferred income tax (note 9(e)	-	5,962,062
	5,603,758	6,227,301

9. Income tax expense/(recoveries)

b. Tax reconciliation

	2013 ZMW	2012 ZMW
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/(loss) before tax	**6,576,412**	3,445,890
Tax losses from previous years	**1,094,776**	-
Non deductible expenses	**(2,674,169)**	1,180,556
Movement in revaluation reserves	**606,739**	2,005,626
Prior year over provision		(404,771)
	5,603,758	6,227,301
		6,227,301

c. Income tax payable

	2013 ZMW	2012 ZMW
Tax payable at beginning of year	**1,042,476**	134,540
Charge for the year (note 9(a))	**5,603,758**	265,239
Taxation paid	**(500,000)**	(134,540)
Taxation payable at end of year	**6,146,234**	265,239

d. Income tax returns have been filed with the Zambia Revenue Authority for all the years up to 31 December 2012. Quarterly tax returns for the period ended 31 December 2013 were made on the due dates during the year.

e. Deferred income tax

Recognised deferred income tax liability

	2013 ZMW	2012 ZMW
Deferred income tax liability is attributable to the following:		
Accelerated tax allowances	**114,597,429**	114,597,429
Exchange gains	**1,536,591**	1,536,591
Exchange losses	**(12,650)**	(12,650)
Unutilised tax losses	**(5,286,806)**	(5,286,806)
Revaluation reserves	**(94,264,490)**	(94,264,490)
Provision for bad debts	**(863,629)**	(863,629)
Amount provided for	**15,706,445**	15,706,445
Analysis of movement:		
At 1 March	**15,706,445**	9,744,383
Provision made during the year (note 9 (a)	**-**	5,962,062
At 31 December	**15,706,445**	15,706,445

10. Property, plant and equipment

a. **Summary**

	Airport Terminals, Runways, taxiways and aprons ZMW	Motor vehicles ZMW	Equipment and Furniture ZMW	Capital work in progress ZMW	Total ZMW
Cost					
At 31 December 2012	412,148,895	8,580,502	133,130,407	44,412,566	598,272,370
Additions	24,428	2,156,821	1,602,403	37,044,985	40,828,637
At 31 December 2012	412,173,323	10,737,323	134,732,810	81,457,551	639,101,007
Additions	-	2,422,222	5,924,179	117,110,815	125,457,216
At 31 December 2012	**412,173,323**	**13,159,545**	**140,656,989**	**198,568,366**	764,558,223
At valuation	404,660,000	-	-	-	404,660,000
At cost	7,513,323	13,159,545	140,656,989	198,568,366	362,624,252
	412,173,323	13,159,545	140,656,989	198,568,366	764,558,223
Depreciation					
At 31 December 2012	40,980,519	5,839,824	90,945,281	-	137,765,624
Charge for the year	7,673,873	1,076,189	5,187,294	-	13,937,356
Disposals	-	-	-	-	-
At 31 December 2012	48,654,392	6,916,013	96,132,575	-	151,702,980
Charge for the year	10,305,718	1,113,679	6,789,333	-	18,208,730
Disposals					
				-	169,911,710
At 31 December 2013	**58,960,110**	**8,029,692**	**102,921,908**		
Net book value					
At 31 December 2013	**353,213,213**	**4,904,755**	**37,735,081**	**198,568,366**	**594,646,513**
At 31 December 2012	363,518,931	3,821,310	38,600,235	81,457,551	487,398,027

(b) 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 specialised part of the property because the specialised 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 totalling K305,619.40 million was transferred to a revaluation reserve.

© 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 agreed with the Government based on a valuation carried out by the Government Valuation Department and a letter from the Ministry of Communications and Transport. Title to Harry Mwanga Nkumbula and Simon Mwansa Kapwepwe is in the name of National Airports Corporation Limited whilst title for Mfuwe airport has not been issued. Title to Kenneth Kaunda International Airport is in the name of the Department of Civil Aviation. However, title to all airports will revert to Government under the Department of Civil Aviation. This process to change ownership of title to the airports is in progress.

(d) Included in property, plant and equipment are leased motor vehicles with a net book value of K2.057 billion.

11. Financial assets at fair value through profit and loss

	2013 ZMW	2012 ZMW
ZEGA Limited. - 10% interest	**1,248,000**	1,248,000

12. Inventories

Consumable stores	**1,210,720**	1,174,461

13. Trade and other receivables

Trade debtors	**78,889,449**	68,152,621
Less: provision for impairment losses	**(36,234,337)**	(33,880,487)
	42,655,112	34,272,134
Staff loans and advances	**3,278,189**	2,401,312
Deposits and prepayments	**5,873,214**	3,831,487
	51,806,515	40,504,933

14. Held to maturity financial assets

Intermarket Discount House	**-**	10,000,000
Finance Bank	**-**	2,000,000
Banc ABC	**-**	3,000,000
Finance Building Society	**95,070**	90,845
	95,070	15,090,845

15. Cash and cash equivalents

Cash in hand and at bank (note (a))	10,399,714	7,829,968
Bank overdrafts (note (b))	(2,831,181)	(773,833)
	7,568,533	7,056,135

a. ***Cash in hand and at bank***

KBC Bank NV (note (i))	**2,801,696**	2,540,651
Other bank balances	**7,590,135**	5,279,631
Cash in hand	**7,884**	9,686
	10,399,715	7,829,968

The KBC Bank NV bank account is pledged as security for the long-term loan from the bank (Note 18).

		2013 ZMW	2012 ZMW
b.	**Bank overdrafts**		
	Barclays Bank	57,441	588,429
	Zambia National Commercial Bank Plc	7,773,740	185,404
		2,831,181	773,833

The Corporation has an overdraft facility of K300,000 with Zambia National Commercial Bank Plc secured by a lien of US$60,000 over the Corporation's foreign currency accounts.

16. Share capital

	2013 ZMW	2012 ZMW
Authorised		
16,458,500,000 ordinary shares of K1 each	**16,458,500**	16,458,500
Issued and fully paid		
16,458,500,000 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 billion (EURO 5.2 million) due from the company into share capital. As at balance sheet date K14,988,322,000 had been allotted and the balance of K13,928,678,000 as shares pending allotment.

17. Capital grants

	2013 ZMW	2012 ZMW
At beginning of the year	**122,234,493**	78,880,737
Additions during the year	**-**	47,275,573
Amortisation during the year	**(5,229,089)**	(3,921,817)
At the end of the year	**117,005,404**	122,234,493

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

18. Long-term loans

	2013 ZMW	2012 ZMW
Zambia National Commercial Bank-	**23,605,671**	
L/stone New Terminal (i)		40,648,106
Loan (ii)	**11,826,913**	-
Loan (iii)	**66,221,998**	
	101,654,581	40,648,106
Portion repayable within next 12 months	**14,592,500**	4,034,122
Portion repayable after 12 months	**87,062,081**	36,613,984
	101,654,581	**40,648,106**

(I) This zanaco facilities represents US$25,000,000.00 loan bearing interest at 10% and are repayable April 2021. The loans are secured by the assignment of foreign currency receivables from IATA.

19. Obligations under finance leases

	2013 ZMW	2012 ZMW
At beginning of the year	**3,977,851**	2,845,632
Additions during the year	**2,422,222**	2,414,196
Repayments during the year	**(2,767,659)**	(1,281,977)
At end of the year	**3,632,414**	3,977,851
Repayable within next 12 months	**2,767,659**	1,306,977
Repayable after 12 months	**864,755**	2,670,874
	3,632,414	3,977,851

a. The lease was obtained from Stanbic Bank Zambia Ltd for procurement of the billing system and the 1,281,977motor vehicles

b. **Repayments are due by 31 December**

2013	**2,767,659**	1,281,977
2014	**864,755**	1,306,977
	3,632,414	2,588,954

20. Deferred liability

Deferred liability relates to provision for terminal benefits amounting to K89.14 billion inclusive of 12% interest. In accordance with various employee agreements, certain employees are eligible to terminal benefits computed on the number of years of service and final pay when they attain the retirement age of 55 years.

At beginning of the year	**88,966,925**	87,109,910
Interest	**10,115,517**	8,860,524
Payments	**(11,732,364)**	(7,003,509)
	87,350,078	88,966,925
Repayable within next 12 months	**3,600,000**	3,600,000
Repayable after 12 months	**83,750,078**	85,366,925
	87,350,078	88,966,925

The corporation on 1 April 2008 converted the unfunded defined benefit scheme to a defined contribution scheme. The liability is expected to be completely transferred to pension managers over the next 12 years and attracts interest at 12% per annum.

For the new defined contribution scheme, the corporation contributes 10% of basic salary. The total charge to income is as follows:

Current year contribution on defined contribution scheme	**2,782,431**	1,809,392
Interest on discontinued defined benefit liability scheme	**10,115,517**	6,197,487
	12,897,948	8,006,879

21. Trade and other payables

	2013 ZMW	2012 ZMW
Trade creditors	**34,664,665**	7,347,486
Accruals	**9,626,460**	6,053,285
Other creditors and provisions	**4,134,448**	3,803,938
	48,425,573	17,204,709

22. Financial instruments

Financial assets

The Corporation's principal financial assets are bank balances and cash, trade debtors, prepayments and other receivables. The Corporation maintains its bank accounts with major banks in Zambia of high credit standing and, by policy, limits the amount of credit exposure to any one financial institution. Trade debtors, prepayments and other receivables are stated at their nominal value reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities

The Corporation's financial liabilities are long term loans, trade and other payables. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Trade and other payables are stated at their nominal value. The Corporation's position with regard to various risks is as follows:

(a) Price risk

(i) Currency risk

Certain of the interest bearing borrowings are denominated in foreign currencies and therefore lead to a risk of fluctuation of value due to changes in the foreign exchange rate. This risk is partly hedged by holding United States Dollar denominated trade receivables and bank balances.

(ii) Interest rate risk

Financial assets are not exposed to the risk that their value will fluctuate due to changes in market interest rates. Details of the interest rates and maturity of interest bearing borrowings are disclosed in note 18.

(iii) Market risk

The Corporation is not exposed to the risk of the value of its financial assets fluctuating as a result of changes in market prices.

(b) Credit risk

The Corporation is exposed to varying degrees of credit risk, in the following significant concentration:

(i) Trade debtors

The directors believe the credit risk of trade debtors is medium. The credit risk is managed by selective granting of credit and credit limits.

(c) Liquidity risk

The Corporation may be exposed to some risk due to inability to sell certain financial

(d) Cash flow risk

The Corporation may be exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amount. It has instruments that include a floating interest rate.

(e) Fair values

At the reporting date the carrying values of financial instruments reported in the financial statements approximate their fair value.

23. Capital commitments

	2013 ZMW	2012 ZMW
Approved by the board but not contracted	-	-

24. Contingent liabilities

(a) Pension Scheme

Some employees are members of a contributory, defined benefit pension scheme administered on the Corporation's behalf by the Zambia State Insurance Corporation Limited (ZSIC). Payments made to the fund are based upon the funding rate recommended by the administrators. No actuarial valuation has been undertaken on the pension scheme for several years. Consequently, there may be an amount, which cannot be quantified by the directors, which would need to be provided in order to make good any possible under funding which may have occurred. New employees are not eligible to join the ZSIC defined benefit scheme.

(b) Court cases

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

25. Related party transaction

		2013 ZMW	2012 ZMW
		0	0
(a)	Key management compensation	**0**	0
		0	0
	Salaries and other short term employee benefits	**7,147,155**	2,716,186
	Termination benefits	**11,732,364**	4,661,939
			-
(b)	Loans to directors	**-**	
			-
(c)	Loans to related parties	**-**	

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

26. Comparative figures

Comparative figures have been rebased and in certain areas reclassified to allow for meaningful comparison.

27. Currency rebasing

During the year 2012, the Government of the Republic of Zambia made a policy decision to rebase the Kwacha by dropping off the zeros from the old currency in order to simplify financial transactions. The effective date was 1 January 2013. Following this change, the company has converted its accounting database from 1 January 2013 to the new rebased currency in order to comply with the new requirements.

Other than the above, the directors are not aware of any other matters or circumstance since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the company and the results of its operation.

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

[APPENDIX I]

for the year ending 31 December 2013

	12 months to 31 December 2013 ZMW	9months to 31 December 2012 ZMW
Revenue	**182,668,386**	113,011,692
Other income		
Capital grants amortised	**5,229,089**	3,921,817
Sundry income	**2,288,846**	1,858,440
	7,517,935	5,780,257
Interest income	**505,574**	23,154
Exchange gains (net)	**505,348**	4,444,311
	1,010,922	4,467,465
	191,197,243	123,259,414
Less:		
Expenditure		
Depreciation	**18,208,730**	13,937,356
Employee costs		
Salaries and wages	**72,375,362**	44,664,570
Other staff costs	**21,522,304**	13,233,345
	93,897,666	57,897,915
Finance charges	**8,056,912**	5,743,700
Other operating expenses		
Printing & Stationary	**1,448,792**	1,120,038
Books & periodicals	**183,279**	51,731
Subscription - Company	**223,223**	-
Office expenses	**203,318**	12,834
Postage	**111,455**	-
Telephone & internet	**914,143**	885,894
Cleaning materials	**488,439**	409,495
Travel expenses - local	**1,988,407**	1,181,250
Travel expenses - foreign	**1,655,504**	921,570
Electricity	**1,414,752**	833,369
Water	**273,324**	111,532
Land rates	**1,000,264**	653,662
Hire of transport	**3,397,144**	2,402,351
Aviation security	**133,310**	260,572
Security expenses	**554,873**	437,231
Cargo & mail	**3,822,409**	1,989,862
Cleaning services	**981,793**	-
SITA charges	**3,681,788**	3,648,201
Insurance	**1,868,283**	28,848
Staff uniforms	**2,494,807**	30,526
Protective clothing	**443,547**	326,903
Carried forward	**27,282,854**	14,710,158

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPRENSIVE INCOME

[APPENDIX I]

for the year ending 31 December 2013

	31 December 2013 ZMW	31 December 2012 ZMW
Brought forward	**27,282,854**	14,710,158
Fire fighting form	**593,646**	510,570
Motor vehicle expenses	**3,126,516**	3,273,567
Repairs & maintenance	**10,087,308**	5,649,059
Consultancy	**17,242**	65,847
Legal	**180,185**	254,990
External audit fees	**357,795**	250,355
Directors fees and expenses	**1,157,397**	635,178
Directors social tour	**76,082**	0
Entertainment	**317,696**	73,196
Marketing	**43,599**	-
Corporate promotions & Advertising	**1,362,830**	1,853,708
Donations	**91,142**	278,830
Tender Evaluation Expenses	**74,288**	223,482
Licencing	**232,807**	145,270
MCT/DCA/MET	**388,685**	116,677
VAT expenses	**502,844**	-
Sundry expenses	**436,055**	142,807
Bank charges	**947,954**	724,272
IATA charges	**2,689,495**	1,589,313
Bad debts provision	**2,353,849**	2,467,513
Total expenditure	**52,244,187**	35,835,041
Profit/(loss) before tax	**18,798,748**	9,845,402

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