2014

Zambia Airports Corporation Limited

ANNUAL REPORT

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Financial Year ending 31 December 2014

HIGHLIGHTS

Financial Highlights

	Dec. 2014 ZMW	Dec. 2013 ZMW	% Variation
Turnover	226,965,051	182,668,386	
Other Income	8,312,391	8,528,857	
Finance Charges	12,607,750	8,056,912	
Profit/ (Loss) before tax	9,306,343	18,789,748	
Cash & Cash Equivalents	14,056,678	7,568,534	
Asset Capitalisation	30,654,302	125,457,216	
Total Assets	**582,497,534**	**594,646,513**	

Traffic Highlights

	Dec 2014	Dec 2013	% Variation
Total Passenger Numbers	1,574,242	1,543,144	
Domestic	314,679	300,055	
International	1,259,563	1,243,089	
Paying Passengers	572,957	561,052	
Domestic	131,343	133,436	
International	441,614	427,616	
Total Aircraft Movements	**67,047**	**66,238**	

Board Chairperson's
Statement

It is with great pleasure that I present the report on the operations of Zambia Airports Corporation Limited for the year ended 31 December 2014. The year 2014 was a challenging and busy year for the Corporation. We rebranded the Corporation image which resulted in the change of name from National Airports Corporation to Zambia Airports Corporation Limited. The change of name gives us a competitive advantage over other airports as it aligns us to our country, which is known to be a peaceful country with abundant natural resources.

I am delighted to report that despite the challenges we encountered in 2014 the Corporation recorded a profit before tax of K9.306 million , however due to the depreciation of kwacha against other convertible currencies the Corporation recorded a loss after tax of K0.132 million. The operating turnover for the year was K226.97 million which is 24% above last year's turnover. The growth was mainly attributable to modest increase in passenger numbers and the depreciation of the local currency against other convertible currencies. The passenger numbers moved up by a steady growth of 2.02%, this minimal growth in passenger numbers is largely because of the Ebola disease that broke out in West Africa and Congo DRC. This adversely affected the passenger numbers as witnessed by a drop in tourists visiting Zambia. The   passenger numbers terminating at Kenneth Kaunda, Simon Mwansa Kapwepwe and Harry Mwaanga Nkumbula international airports for both domestic and international grew by 4.87% and 1.33% respectively. Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe International airports all recorded positive passenger movements by 1.49%,4.41%,1.76% and 1.68% respectively. The respective airports performance was as follows:

AIRPORT	Passenger number
Kenneth Kaunda International Airport	1,080,836
Simon Mwansa Kapwepwe International Airport	268,217
Harry Mwaanga Nkumbula International Airport	198,994
Mfuwe International Airport	26,195

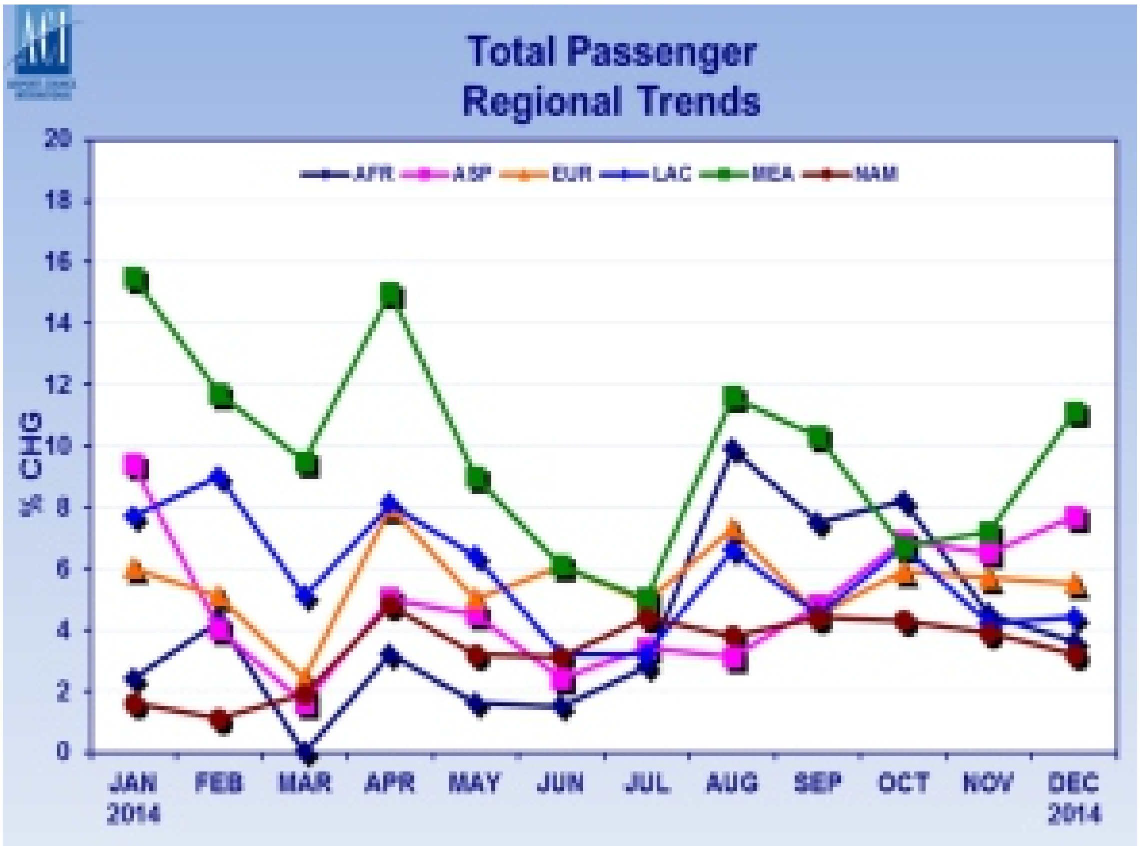
1. EXTERNAL ENVIRONMENT

1.1 Global Economy 2014

Generally speaking most developed economies growth remained to be modest with GDP of below 6%. The US monetary normalization prompted sharp currency falls and asset price declines in several emerging markets and African countries were not spared. The emerging market growth has declined to around 4.5% from 8% in 2010. The factors behind the slowdown are varied but the most common factor is that several countries are reaching the limits to their current growth models. China has become overly reliant on credit and investment, and also trying to maintain the annual growth of 7% by moving it's growth model from fixed investment to private consumption.

1.2 Domestic Economy 2014

Zambian economy performed relatively well within the region despite the decline in the growth rate. The decline was mainly as a result of lower production in the mining sector compared to previous year as well as slower growth in manufacturing and public services. Agriculture on the other hand put in a strong performance by growing at over 6% as a result of the bumper maize harvest. The economic performance is expected to remain strong in the medium term driven by large investment in infrastructure .The creation of multi-facility economic zones will also attract foreign direct investment.



2. INTERNAL ENVIRONMENT

2.1 PASSENGER TRAFFIC

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 2014	Domestic Passengers	314,679	4.87%
Dec 2014	International Passengers	1,574,242	1.33%
	Total Passengers	**1,574,242**	**2.02%**
Dec 2013	Domestic Passengers	300,055	21.20%
Dec 2013	International Passengers	1,243,089	11.53%
	Total Passengers	**1,543,144**	**13.29%**

A further analysis of Passenger numbers by Airport

Airport	PAX Number - 2014	PAX Number - 2013
Kenneth Kaunda International Airport	1,080,836	1,064,950
Simon Mwansa Kapwepwe International Airport	268,217	256,882
Harry Mwaanga Nkumbula International Airport	198,994	195,550
Mfuwe International Airport	26,195	25,762

(a) Positive factors

- The continued positive performance of economic indicators.
- The opening of new mines such as Kalumbila in North Western province contributing to the growth at Simon Mwansa Kapwepwe International Airport.
- Proflight increased its capacity by introducing a CRJ1 and also introduced regional flights, including three weekly flights to Lubumbashi and Lilongwe.
- Ethiopian Airlines introduced the Boeing 777 long range into KKIA due to increasing demand.
- Proflight increased aircraft size and introduction of promotional fares.
- Fastjet commenced flights into KKIA operating three times per week.

(b) Negative factor

- The Ebola outbreak in West Africa affected air travel as most tourist source markets shinned visiting Africa
- Increased competition from Victoria Falls in Zimbabwe following the improvement of the political situation.
- KLM Royal Dutch Airlines discontinued their flights into KKIA after only two years of operations.
- Mahogany Airline discontinued its 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.

2.3 CORPORATE PERFORMANCE

The Corporation's operating revenue was K226 million for the financial year ended December 2014 compared to K183 million for the year ending December 2013. After expenses of K226 million, this resulted in a loss after tax of K0.133Million compared to a profit after tax of K13 million in the year ending December 2013.

DESCRIPTION	December 2014	December 2013
OPERATING INCOME		
Airport Services	207,198,999	164,453,397
Air Navigation Services	19,766,052	18,214,989
Other Income	8,312,391	8,528,857
TOTAL	**235,277,442**	**191,197,243**
EXPENSES	**225,971,099**	**172,407,495**
Tax	9,439,084	5,603,758
PROFIT/(LOSS) AFTER TAX	**(132,741)**	**13,185,990**

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 is comprised of the concourse, departure and arrival halls. 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 2014 was 804 against approved establishment of 827. Eighty five new employees were recruited during the year to maintain optimum staffing levels in critical areas of company operations.

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.

Appointments and Staff Matters Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Ms Mubanga Musakanya - **Board Chairperson**	6	6
Ms Kutemba Konga	6	5
Mr Lazarous Chota	6	4
Mr Felix Nkulukusa,	6	6
Mr Charles Sipanje,	6	2
Mr Boniface Njovu	6	2
Mr Robinson Misitala	6	6

Appointments, Remuneration and Human Relations Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Mr Lazarous Chota - **Chairperson**	5	5
Ms Namucana Musiwa	5	4
Mr Bannie Lombe	5	5
Mr Robinson Misitala -	5	5

Finance and Capital Projects Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Mr Felix Nkulukusa **- Chairperson**	5	6
Mr Ronny Mwanyungwi	5	5
Mr Michael Mbulo	5	4
Mr Boniface Njovu	5	6
Ms Kutemba Konga	5	2
Mr George Sitali	5	2
Mr Robinson Misitala	5	6

Audit, Risk and Compliance Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Ms Kutemba Konga - **Chairperson**	5	5
Mr Joe M Chisanga	5	4
Mr George Ndongwe	5	4
Mr Stanford Mtamira	5	4
Mr Charles Sipanje	5	3

2.7 CORPORATE SOCIAL RESPONSIBILITY

At Zambia 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 SPORTS

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 Zambia Airports Corporation Limited for the year ending December 2014. 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 recorded a profit before tax of K9.306 million and a loss after tax of K132,741, the loss is arising from the foreign exchange loss of K10.359 million. This arises on translation of dollar loans at higher rates due to the devaluation of the local currency. Despite the loss after tax the Corporation was able to meet its obligations as they fell due. This achievement could not have been possible without the commitment of my management team and the 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.

Airport Information

	KKIA	HMNIA	SMKIA	MFUWE
Elevation	3,779ft	3,250ft	4,167ft	1,853ft
Runway	10/28	10/28	10/28	10/28
Runway length	3.962 km	3 km	2.515km	2.2km
Runway width	45m	46m	46m	30m
Runway surface	Bitumen	Bitumen	Concrete	Bitumen
Apron	12 stands	18 stands	6 stands	4 stands
Fire category	8	7	7	8
Design	747	767	DC 10	737

	KKIA	HMNIA	SMKIA	MFUWE
Aircraft				
Operating hours	24 Hrs	0500-1600 UTC	0400-8000 UTC	0500-1600 UTC
VOR	✓	✓	✓	✓
DME	✓	✓	✓	✓
NDB	✓	✓	✓	✓
VDB	✓	✓	✓	✓
Ground Handling by:	www.nacl.co.zm	www.nacl.co.zm	www.nacl.co.zm	www.nacl.co.zm

2.2 Business Environment

Aeronautical revenue accounted for 90.13% of the company's performance for the year under review whilst 9.87% was generated by non-aeronautical revenue.

The Corporation's main income contributor remains to be Passenger Service Charge which accounted for 36.01% of total revenues. An analysis of passenger movement year on year is as per table below.

Passenger Traffic by Airport.

Airport	Dec 2014	Dec 2013	Variance	% Growth
KKIA	1,080,836	1,064,950	15,886	1.5
HMIA	198,994	195,550	3,444	1.7
SMKIA	268,217	256,882	11,335	4.4
MFUWE	26,195	25,762	433	1.7
TOTAL	1,574,242	1,543,144	31,098	2.0

2.2.1 New Route Developments Business

During the year under review, the following operators introduced new routes into Lusaka or increased frequencies;

- Fastjet Airlines commenced into KKIA operating three times weekly and later increased the flights to five in August of the same year.
- Ethiopian Airlines introduced a B777 on the Lusaka – Addis route to enhance capacity
- Malawian Airlines introduced three flights weekly into KKIA
- Proflight introduced flights to Lubumbashi and Lilongwe
- Proflight increased capacity on some of its routes

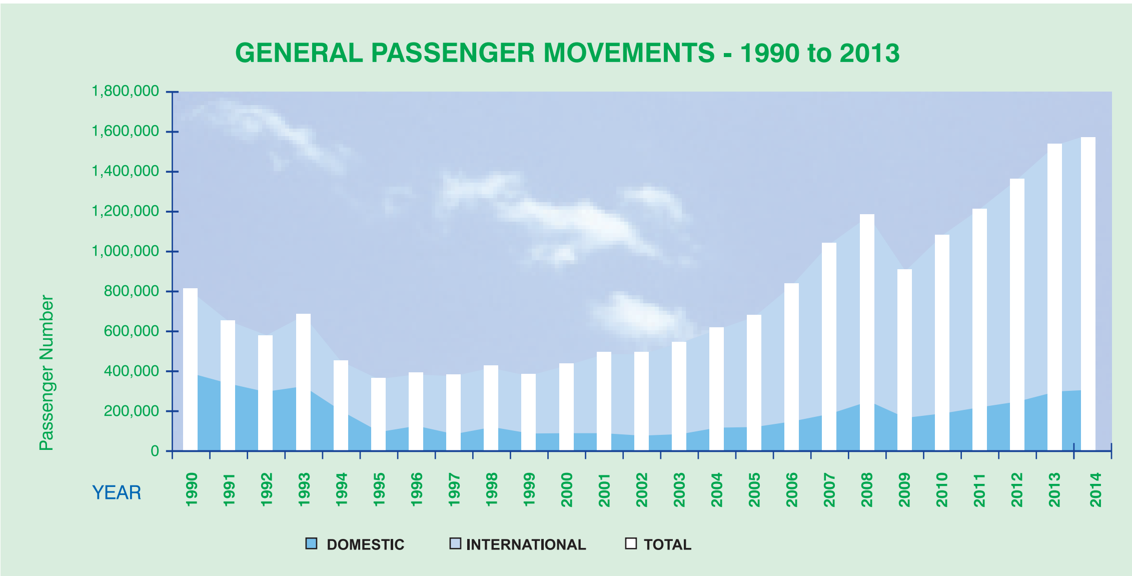
2.2.2 Passenger Traffic

The total passenger traffic for the period under review was 1,574,242 compared to 1,543,144 for the year ending December 2013. This performance represented an overall positive growth of 2.02%. See table below;

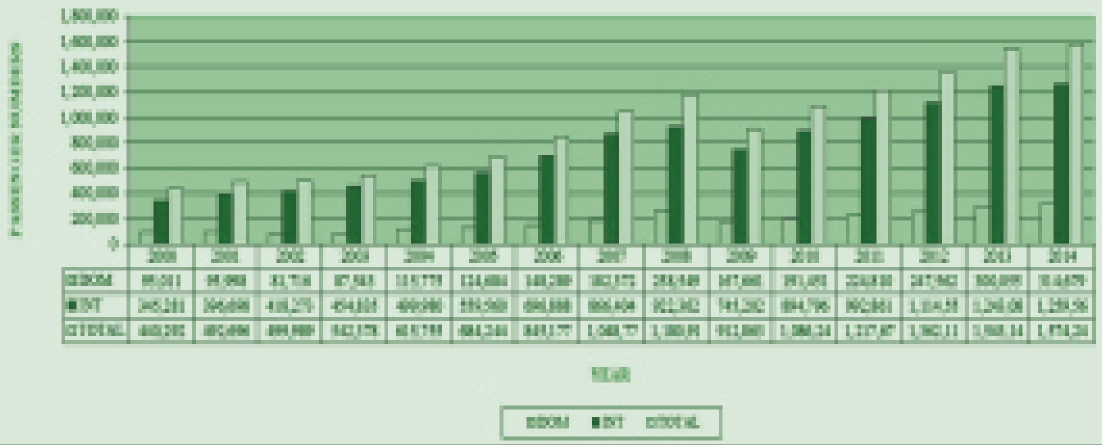
2014		KKIA	SMKIA	HMNIA	MFW	TOTAL
Jan-Dec	**Domestic**	172,745	73,867	44,484	23,583	314,679
	International	908,091	194,350	154,510	2,612	1,259,563
	Total	**1,080,836**	**268,217**	**198,994**	**26,195**	**1,574,242**
2013						
	Domestic	158,082	74,104	44,968	22,901	300,055
Jan-Dec	**International**	906,868	182,778	150,582	2,861	1,243,089
	Total	**1,064,950**	**256,882**	**195,550**	**25,762**	**1,543,144**
% Growth						
	Domestic	9.28	-0.32	-1.08	2.98	4.87
	International	0.13	6.33	2.61	-8.7	1.33
	Total	**1.49**	**4.41**	**1.76**	**1.68**	**2.02**

Generally, passenger movement performance continues to be positive at KKIA and SMKIA being the best performing as a result of increased domestic and international passenger movement spurred by increased frequencies by South African Airways, Kenya Airways, Fastjet and Proflight Zambia (at KKIA) despite suspension of flights by KLM and Mahogany Air Services.

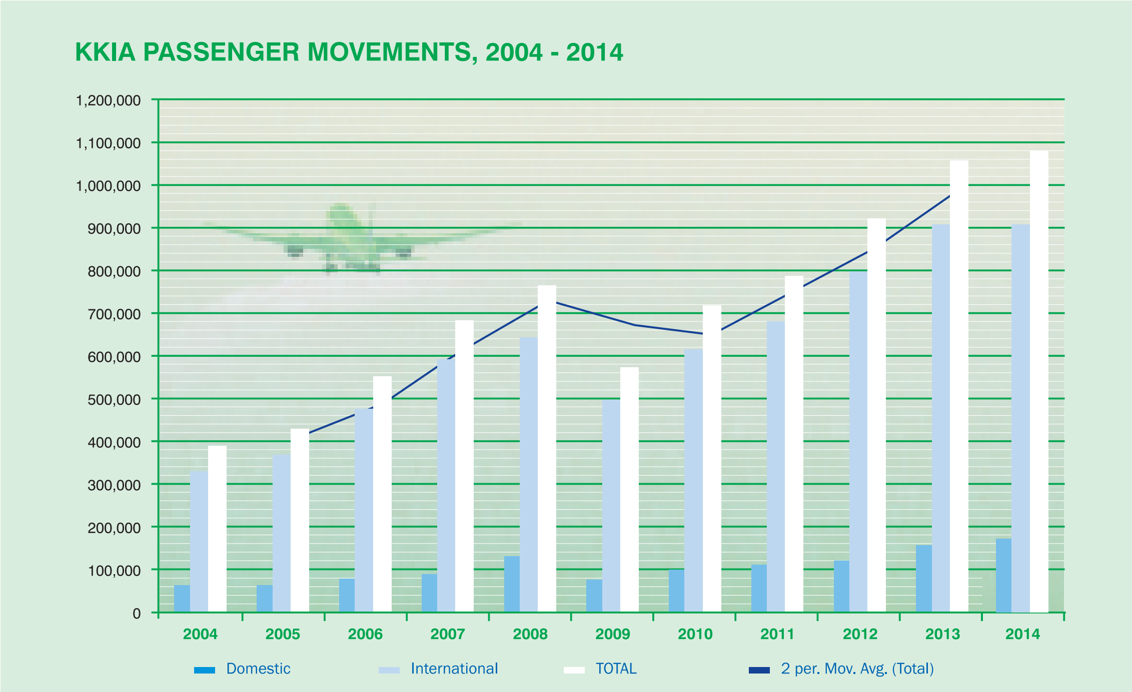
We also saw the introduction of a CRJ1 by Proflight which enhanced the domestic capacity. On a negative note though, SMKIA and HMNIA recorded negative growths in domestic passenger mainly due to the suspension of flights in the domestic market by Mahogany at the Airports. With the above performance, it can be safely assumed that the Corporations passenger movement performance will continue on its positive trajectory albeit at a slower pace in 2015.



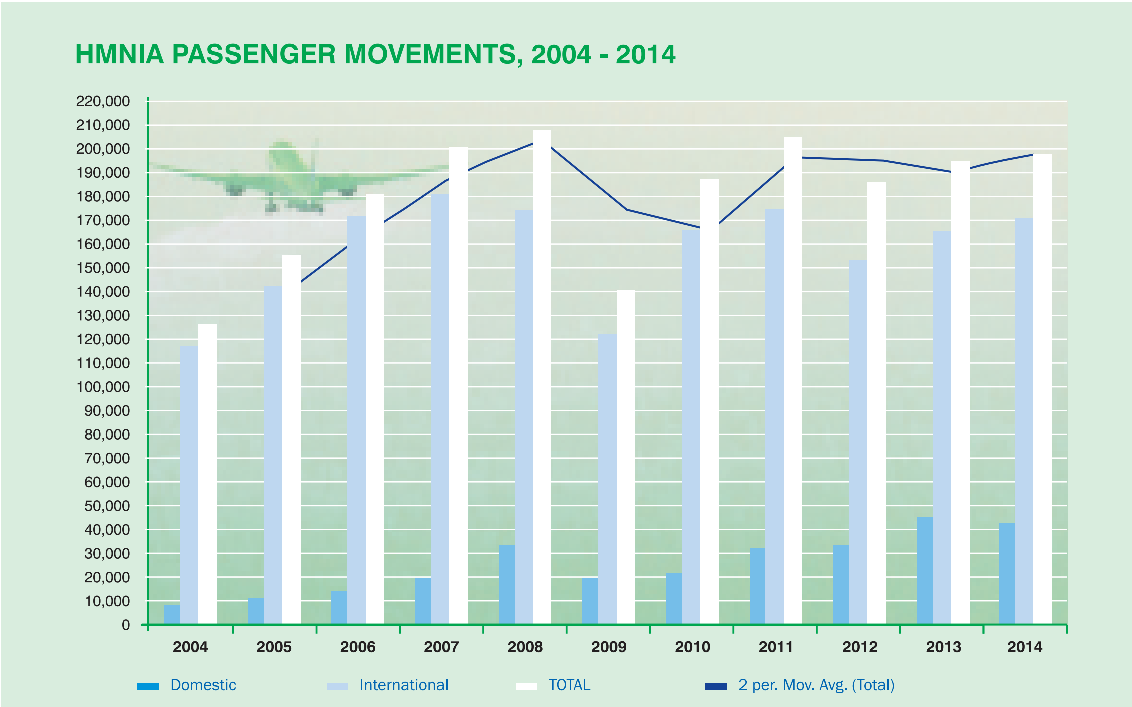
2000 TO 2014 Passenger Traffic



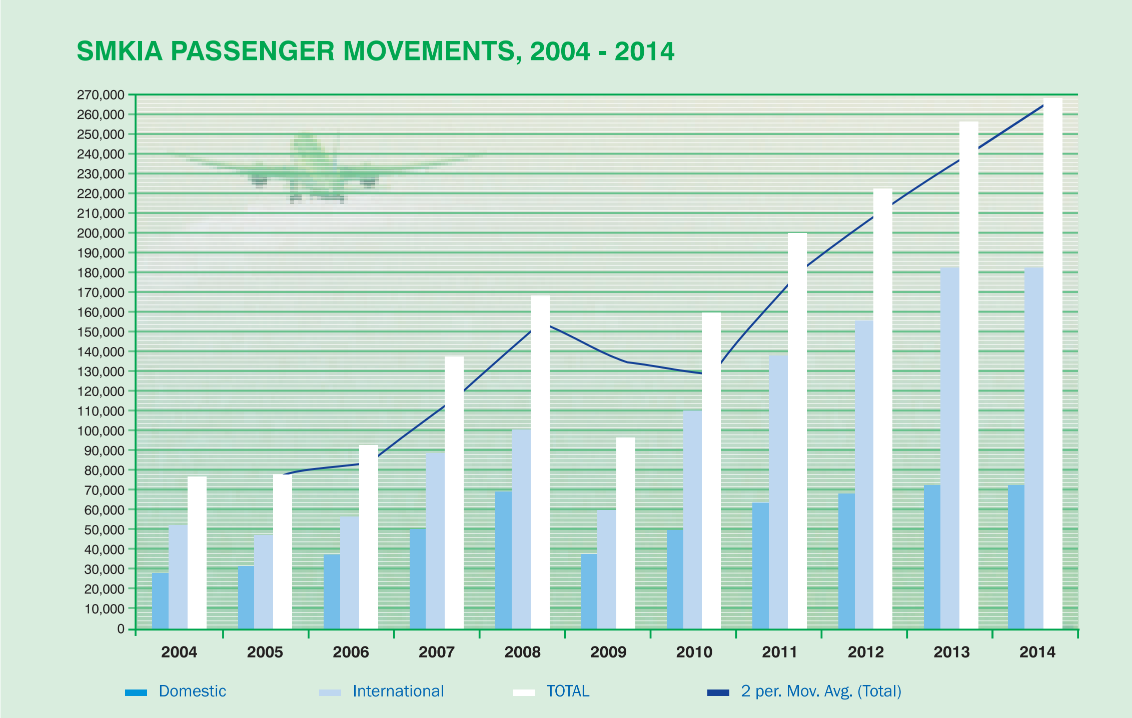
2.3.1 Kenneth Kaunda International Airport



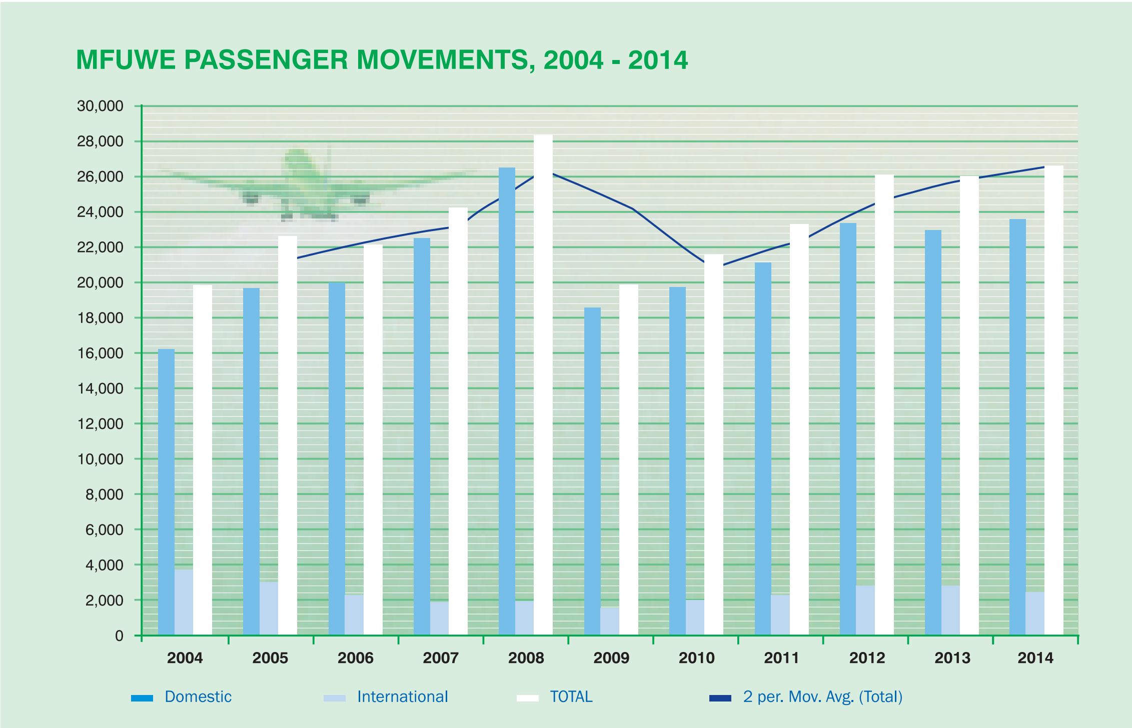
2.3.2 Harry Mwaanga Nkumbula International Airport



2.3.3 Simon Mwansa Kapwepwe International Airport



2.3.4 Mfuwe International Airport

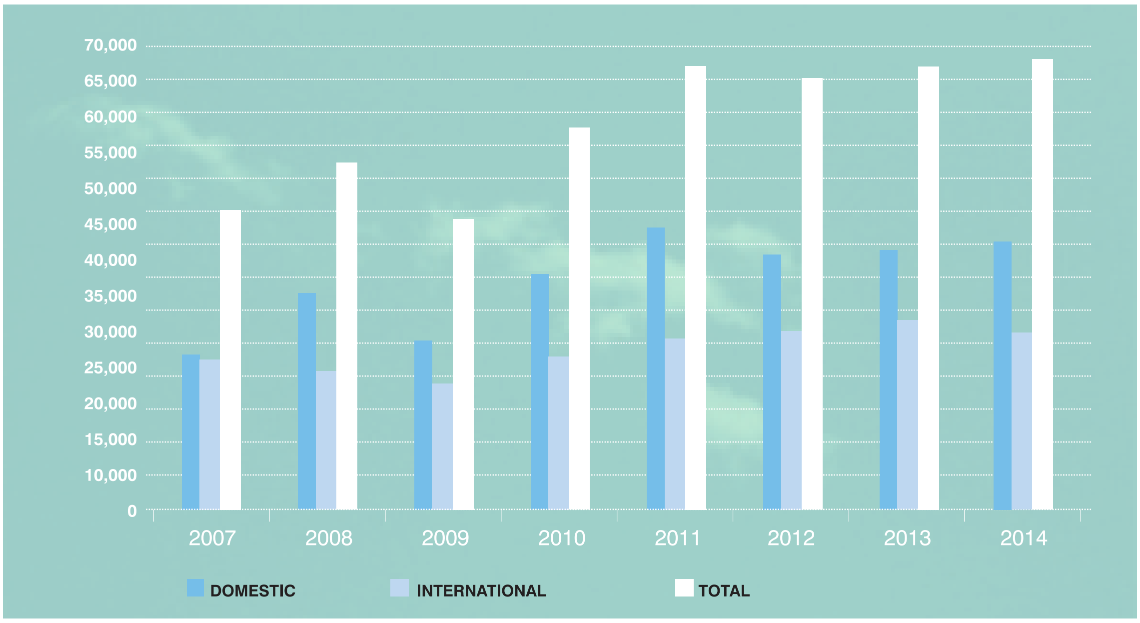


2.4 Aircraft Movement

During the period January to December, 2014, the Corporation recorded total aircraft movements of 67,047 compared to 66,238 in 2013 giving us a 1.22% positive growth. This performance can be attributed to the introduction of more frequencies by various operators as indicated above. The performance by airport was: Kenneth Kaunda International Airport with 38,994, Simon Mwansa Kapwepwe International Airport with 11,730, Harry Mwaanga Nkumbula International Airport with 13,402; and Mfuwe International Airport with 2,921 aircraft movements.

This represents percentage growths of 3.3%; 4.99 %; and 2.63 % respectively; for Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula international airports and a negative growth of (31.42) at Mfuwe International Airport. Notable change is the negative performance at Mfuwe International Airport which is attributed to less charters and withdrawal of some frequencies operated on smaller aircrafts.

CONSOLIDATED AIRCRAFT MOVEMENTS, 2007 – 2014



Cargo Movements

During the period under review, 19,481 metric tons of cargo was handled predominantly through Kenneth Kaunda International Airport. This was (14.87%) less than the same period last year. The main catalyst for this negative performance was the suspension of KLM Royal Dutch Airlines flights that were flying direct route for export of flowers to the Netherlands.

On a positive note, Ethiopian Airlines and Kenya Airways have introduced scheduled cargo flights into KKIA. In addition, KLM Martinair cargo started operations into KKIA in December 2014.

The following is a summary of cargo performance;

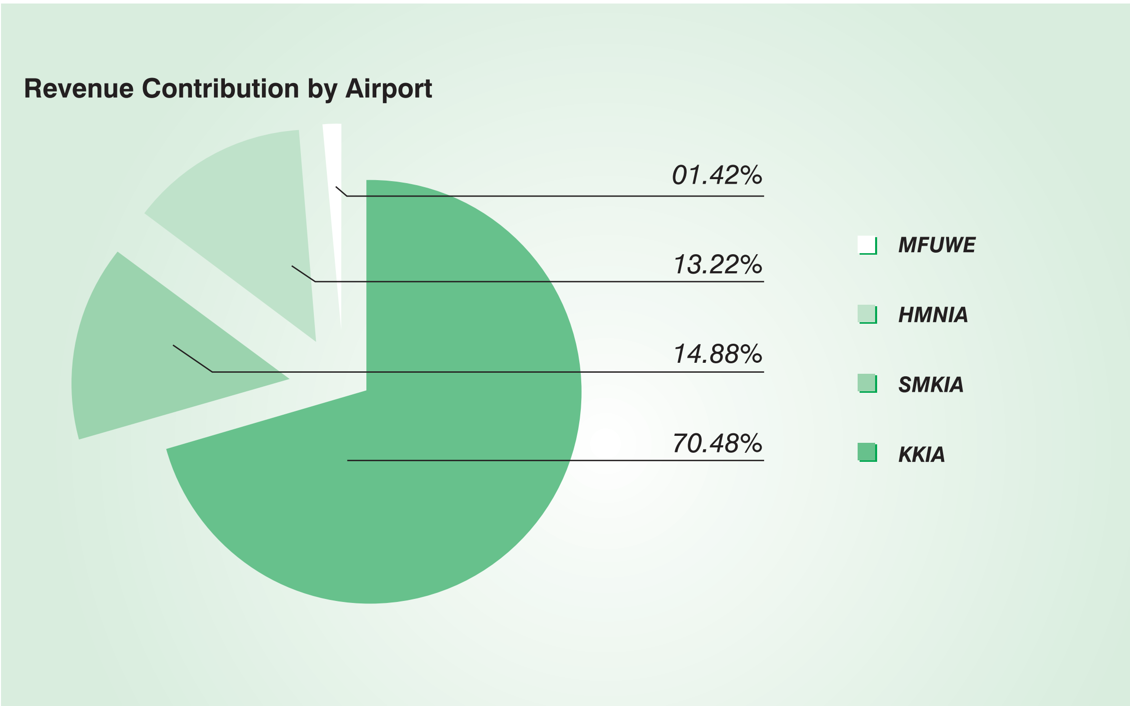
2014		CARGO	MAIL	TOTAL
	Unloaded	10,707	187	10,894
Jan-Dec	**Loaded**	6,883	29	6,912
	Transit	1,586	89	1,675
	Total	**19,176**	**305**	**19,481**
2013				
	Unloaded	10,188	155	10,343
Jan-Dec	**Loaded**	11,673	42	11,715
	Transit	751	77	828
	Total	**22,612**	**274**	**22,886**
	Unloaded	-5.09	20.65	5.33
% Growth	**Loaded**	-41.03	-30.95	-41.
	Transit	111.19	15.58	102.29
	Total	**-15.20**	**11.31**	**-14.88**

2.5.1 Paying Passenger Movements

The Corporation recorded a positive growth of 2.12% when compared to the year 2013. This was largely due to positive growths recorded at KKIA and SMKIA in both domestic and international paying passenger performance while HMNIA and MFW saw negative growths in both categories.

Station/ Passenger Category		2013 Financial Year				2014 Financial Year				Compared To last Year	
		ACT	BUD	VAR	% DIF	ACT	BUD	VAR	% DIF	GROWTH	% DIF
KKIA	Dom	65 492	51 631	13 861	27%	74,768	65,019	9,749	15%	9,276	14.16%
	Int.	296 805	285 658	11 147	4%	308,958	308,891	67	0%	12,153	4.09%
TOTAL		**362 297**	**337 289**	**25 008**	**7%**	**383,726**	**373,910**	**9,816**	**3%**	**21,429**	**5.91%**
SMKIA	Dom	35 713	33 572	2 141	6%	36,305	34,646	1,659	5%	592	1.66%
	Int.	54 785	55 095	-310	-1%	59,242	54,500	4,742	9%	4,457	8.14%
TOTAL		**90 498**	**88 667**	**1 831**	**2%**	**95,547**	**89,146**	**6,401**	**7%**	**5,049**	**5.58%**
HMKIA	Dom	20 505	18 757	1 748	9%	19,938	27,510	- 7,572	-28%	- 567	-2.77%
	Int.	74 859	89 598	-14 739	-16%	73,385	70,546	2,839	4%	- 1,474	-1.97%
TOTAL		**95 364**	**108 355**	**-12 991**	**-12%**	**93,323**	**98,056**	**- 4,733**	**-5%**	**- 2,041**	**-2.14%**
MFUWE	Dom	11 726	11 147	579	5%	332	393	- 61	-16%	- 11,394	-97.17%
	Int.	1 167	1 052	115	11%	29	15	14	93%	- 1,138	-97.51%
TOTAL		**12 893**	**12 199**	**694**	**6%**	**361**	**408**	**- 47**	**-12%**	**- 12,532**	**-97.20%**
	Dom	133 436	115 107	18 329	16%	131,343	127,568	3,775	3%	- 2,093	-1.57%
	Int.	427 616	431 403	-3 787	-1%	441,614	433,952	7,662	2%	13,998	3.27%
GRAND TOTAL		**561 052**	**546 510**	**14 542**	**3%**	**572,957**	**561,520**	**11,437**	**2%**	**11,905**	**2.12%**

2.5.5 Revenue by Airport January - December 2014



Revenue Contribution by Product Category

The total income made by the division was K207,198,999 of which K189,397,065, representing 91.41% was aviation income and K17,801,934 representing 8.59% was from non-aviation income. Below is a presentation of the percentage contribution by category:

2014	Revenue (ZMW)	% Contribution
AERONAUTICAL REVENUE		
Passenger Service Charge	74,615,885	36.01%
Landing Fees	25,449,230	12.28%
Parking Fees	1,874,640	0.90%
Ground Handling	37,248,282	17.98%
Security Charges	16,129,939	7.78%
Cute and Cuss	2,852,462	1.38%
Infrastructure Fee	31,188,004	15.05%
SUB TOTAL	**189,397,065**	**91.41%**
NON-AERONAUTICAL REVENUE		
Fuel Throughput	2,937,364	1.42%
Advertising	3,570,426	1.72%
Kiosks	1,458,220	0.70%
Warehouses	2,880,402	1.39%
Restaurants	607,282	0.29%
Bars	54,382	0.03%
Office Rentals	1,641,320	0.79%
Car Parks	1,945,267	0.94%
Duty Free Shops	1,045,973	0.51%
Houses/Hangers	401,986	0.19%
Electricity/Water Recoveries	527,538	0.25%
Cell sites & Land Rentals	289,374	0.14%
Cold Room Concessions	-	0.00%
Miscellaneous	442,400	0.21%
SUB TOTAL	**17,801,934**	**8.59%**
TOTAL	**207,198,999**	**100%**

2.6 Scheduled Airlines

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

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	✓	×	×	×
Malawi Airline	✓	×	×	×
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	✓	×	✓	×
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	Tiling of International Arrivals Hall	1,014,656.00	Completed
1.2	Rehabilitation of Taxiways	2,300,000.00	Completed
1.3	Rehabilitation of Control Tower	200,227.72	Completed
1.4	Rehabilitation of Mezzanine Toilets	93,000	Completed
1.5	Design and Construction of Airport Infrastructure	USD360 million & USD25 million	Design works have commenced

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 HMNIA Phase I	39,930,544.93	Substantially completed
3.2	Rehabilitation of HMNIA Phase II	27,444,454.70	Substantially completed

2.9.4 Mfuwe International Airport

No projects were carried out in the year under review

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, Simon Mwansa Kapwepwe and Mfuwe have been concluded and financier has been identified.

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.

The Program to modernise passenger facilities continues to be Corporation's Priority, having substantially completed works at harry Mwaanga Nkumbula International Airport, the project site for KKIA was handed over and the contractor mobilised and started site preparations works.

QUALITY MANAGEMENT

The Corporation Quality Management System certification for ISO 9001-2008 is still valid up to 15th February 2017.

RISK MANAGEMENT

Risk and Compliance Management Policy Statement

Zambia Airports Corporation Limited established 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.

ENVIRONMENT POLICY

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

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

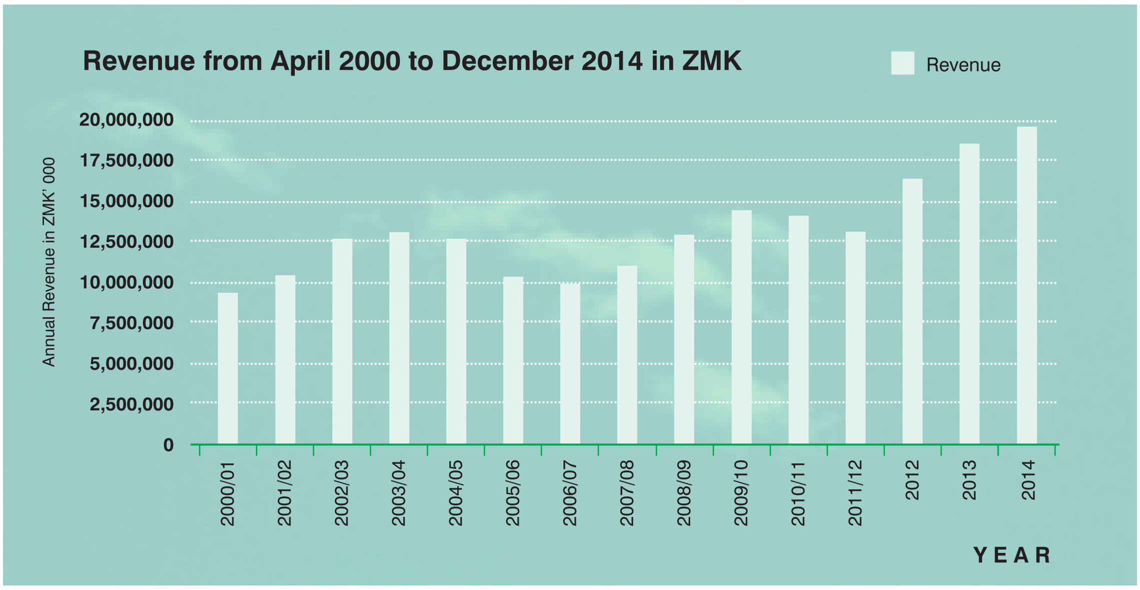
The key focus areas in line with stakeholder expectations are therefore:

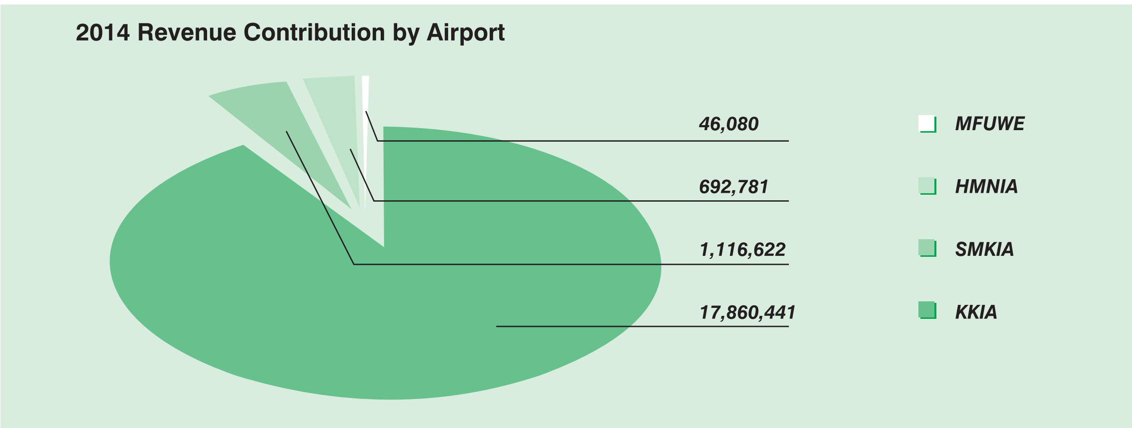
- Safety
- Capacity
- Cost effectiveness
- Efficiency
- Environmental Sustainability

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.

3.2.1 Revenue Progression Charts





The revenue contributions by category by percentage are as follows: 78% over-flights, 21% International Navigation and 1 % Domestic Navigation. This performance is similar to the performance in the 2013.

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:

- Continued to implement under Government support an ATM Radar system and its ancillaries, which included replacement of Very High Frequency (VHF) Aerodrome radio and control equipment at Kenneth Kaunda and Harry Mwaanga Nkumbula. The project is currently in progress.
- Initiated the implementation of the Automated Weather Observatory Station (AWOS) project to automate the provision of Meteorological information
- Commenced the procurement process for the implementation of the Aeronautical Telecommunication Network (ATN) project (Wide Area Network) to connect all designated airports, provincial aerodromes and equipment sites.
- Commenced the procurement process to Implement the Global Navigation Satellite Systems (GNSS) procedures at SMKIA and Mfuwe, and convert all en-route reporting points to WGS84.
- Commenced the procurement process to carry out an Airspace Master Plan Study of the Lusaka Flight Information Region (FIR) with the objective of assessing the strategic optimisation of air navigation service provision and defining the roadmap for the related investment strategies.
- The above projects are intended to enhance safety, efficiency and reliability in the provision of air navigation services in the Zambian airspace.

4. CORPORATE FINANCIAL RESULTS

4.1 Revenue

The Corporation turnover in the year under review was K226 Million compared to the previous year ending December 2013 of K183 Million, this was 24% above last 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. 2014 ZMW	Dec. 2013 ZMW	Percentage
Passenger Service Charge	74,615,885	63,876,784	17
Landing Fees	25,449,230	23,863,837	7
Ground Handling Fees	37,248,282	28,865,597	29
Aviation Security	16,129,939	13,204,059	22
Aircraft Parking	1,874,640	1,410,456	33
Aviation Infrastructure fees	31,188,004	14,724,651	112
Cute and Cuss	2,852,462	2,437,185	17
Other	17,840,557	16,070,828	11
Total	**207,198,999**	**164,453,397**	26
AIR NAVIGATION			
Over flights	13,943,598	13,707,883	2
Navigation fees	5,822,454	4,507,106	29
Others	-	-	
Total	**19,766,052**	**18,214,989**	
Grand Total	**226,965,051**	**182,668,386**	24
Average exchange rate	**6.160**	**5,110**	21
Year End rates	**6.400**	**5,268**	22

Table 2: Expenses

EXPENSES	Dec. 2014 ZMW	Dec. 2013 ZMW	Percentage
Personnel	110,426,275	93,897,666	18
Depreciation	35,553,329	18,208,730	95
Finance costs	12,607,750	8,056,912	56
Other costs	57,024,481	52,244,187	9
TOTAL	**215,611,835**	**172,407,495**	**25**
Profit/(loss) before Tax & exchange gain/(loss)	19,665,607	18,789,748	5
Tax	(9,439,084)	(5,603,758)	68
Exchange gain/(loss)	(10,359,264)	505,348	22
Profit after Tax and exchange gain/(loss)	(132,741)	**13,185,990**	-99

4.2 Expenditure

The total expenditure in the year under review was 25% above last year due to the rise in prices.

Operating Turnover by airport

Airport Services	Dec. 2014 ZMW	Dec. 2013 ZMW	Percentage
Lusaka	150,321,824	120,312,165	61
Ndola	28,299,067	21,460,342	70
Livingstone	26,107,460	19,830,815	11
Mfuwe	2,470,648	2,344,727	64
Air Navigation income	**19,766,052**	**18,214,989**	48
Exchange loss	**(10,359,264)**	**505,348**	(89)
	226,965,051	**182,668,386**	48

4.3 The Corporation recorded a loss of K0.133Million after taking into account income tax of K9.4Million.

5. HUMAN RESOURCES

HUMAN RESOURCES REPORT FOR PERIOD ENDED DECEMBER 2014

The Human Resources Department provided effective HR 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	15	0	0	0	0	0	15	15
Finance	13	0	3	3	1	0	20	21
APS	17	330	99	115	29	5	595	603
ANS	14	63	16	14	10	6	123	138
HR	20	0	3	1	0	0	24	25
Legal	17	2	5	4	0	0	28	25
TOTAL	**96**	**395**	**126**	**136**	**40**	**11**	**804**	**827**

The staff headcount for the period ending 31 December 2014 was eight hundred and four (804) against approved establishment of eight hundred and twenty seven (827) as tabulated above.

Labour Turnover

The Corporation recorded seventy two (72) separations which included , twenty five (25) resignations, twenty four (24) retirements, six (6) deaths, fifteen (15) terminations and two (2) expiry of contracts.

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 six hundred and ninety two (692) employees both locally and abroad. The courses were analysed as per table below.

Type of Course	No. Program	Participants
Technical	04	26
Operational	45	498
Management	06	109
QMS	00	59

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.

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 membership number has reduced in the period under review from 390 to 382, members are withdrawing from the scheme preferring to be receiving this service from the clinics of their choice.

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

Mr Robinson Misitala
Managing Director

Ms Kutemba Konga
Member

Mr Felix Nkulukusa
Member

Dr Muyenga Atanga
Member

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 2014

DIRECTORS' REPORT

for the Year ended 31 December 2014

The directors submit their report and audited financial statements for the Year ended 31 December 2014.

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:

	2014 ZMW	2013 ZMW
Operating revenue	**226,965,051**	**182,668,386**
Profit before tax	**9,306,343**	**18,789,748**
Income tax expense	**(9,439,084)**	**(5,603,758)**
Profit for the year/period	**(132,741)**	**13,185,990**

The Corporation achieved revenue of K227 million during the twelve months compared to K183million for the previous twelve months in the last year. Operating costs during the period amounted to K213 million (2013 – K164 million) resulting into a profit before tax of K9.3 million (2013– K18.8 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 804 full time employees at the year end (31 December 2013 – 771) and total salaries and wages were K110 million for the Year ended 31 December 2014 (December 2013 – K72 million). The average number of employees in each month of the year was:

January 2014	**787**
February 2014	**791**
March 2014	**787**
April 2014	**789**
May 2014	**788**
June 2014	**784**
July 2014	**781**
August 2014	**782**
September 2014	**799**
October 2014	**798**
November 2014	**792**
December 2014	**804**

9. Gifts and donations

The Corporation made donations of K288,000 during the year (December 2013 – K91,000).

10. Property, plant and equipment

Additions to property, plant and equipment totalling K31 million were made during the year (31 December 2013 – K124 million).

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 40 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 2014

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 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 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 Zambia Airports Corporation Limited (Formerly National Airports Corporation Limited) set out on pages 7 to 40, which comprise the statement of financial position as at 31 December 2013 and the 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, 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 2013 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***

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year ended 31 December 2014

	Note	12 months to 31 December 2014 ZMW	12 months to 31 December 2013 ZMW
Revenue	7	**226,965,051**	182,668,386
Expenditure			
Depreciation		**(35,553,329)**	(18,208,730)
Employee costs		**(110,426,275)**	(93,897,666)
Other operating expenses		**(67,383,745)**	(52,244,187)
		13,601,702	18,317,803
Other income		**8,279,952**	7,517,935
Profit from operations		**21,881,654**	25,835,738
Net exchange gains		**-**	505,348
Fair value adjustment	11	**-**	-
Finance costs		**(12,607,750)**	(8,056,912)
Finance income		**32,439**	505,574
Profit before tax	8	**9,306,343**	18,789,748
Income tax expense	9(a)	**(9,439,084)**	(5,603,758)
Profit for the year		**(132,741)**	13,185,990
Other comprehensive income		**-**	-
Total comprehensive income		**(132,741)**	13,185,990

STATEMENT OF CHANGES IN EQUITY
for the Year ended 31 December 2014

	Share Capital ZMW	Amount received pending allotment ZMW	Revaluation reserves ZMW	Accumulated loss ZMW	Total ZMW
At 31 December 2012	**16,458,500**	13,928,678	269,327,113	(36,245,658)	263,468,633
Total comprehensive	**-**	-	-	13,185,990	13,185,990
Income	**-**	-	7,640,483)	7,640,483	-
Transfer					
At 31 December 2013	**16,458,500**	**13,928,678**	**261,686,630**	**(15,419,185)**	**276,654,623**
Total comprehensive					
Profit	**-**	-	-	(132,741)	(132,741)
Deferred tax on revaluation			(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**

STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Note	2014 ZMW	2013 ZMW
ASSETS			
Non-current assets			
Property, plant and equipment	10	**582,497,534**	594,646,513
Financial assets at fair value through profit and loss	11	**1,710,761**	1,248,000
		584,208,295	595,894,513
Current assets			
Inventories	12	**1,864,230**	1,210,720
Trade and other receivables	13	**66,751,093**	51,806,515
Held to maturity financial assets	14	**101,201**	95,070
Cash and cash equivalents	15	**15,098,318**	10,399,715
		83,814,842	63,512,020
Total assets		**668,023,137**	659,406,533
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		**165,129,995**	261,686,630
Accumulated profit (losses)		**(7,911,443)**	(15,419,185)
		187,605,730	276,654,623
Non-current liabilities			
Capital grants	17	**111,776,315**	117,005,404
Long-term loans	18	**94,837,534**	87,062,081
Deferred income tax	9(e)	**104,622,597**	15,706,445
Obligations under finance leases	19	**-**	864,755
Deferred liability	20	**78,209,074**	83,750,078
		389,445,520	304,388,763
Current liabilities			
Short term portion of long-term loans	18	**26,960,449**	14,592,500
Obligations under finance leases	19	**1,795,630**	2,767,659
Trade and other payables	21	**36,468,847**	48,425,573
Income tax payable	9(c)	**15,585,318**	6,146,234
Bank overdraft	15	**1,041,640**	2,831,181
Deferred liability	20	**9,120,000**	3,600,000
		90,971,887	78,363,147
Total equity and liabilities		**668,023,137**	659,406,533

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 2014

	2014 ZMW	2013 ZMW
Cash inflow from operating activities		
Profit before tax	**9,306,343**	18,789,748
Profit on disposal of property, plant and equipment	**(669,410)**	-
Interest paid	**12,607,750**	8,056,912
Interest received	**(32,439)**	(505,574)
Unrealised exchange (gain)/losses on long term loar	**10,396,545**	505,348
Depreciation	**35,553,329**	18,208,730
Amortisation of capital grants	**(5,229,089)**	(5,229,089)
Decrease in inventories	**(653,510)**	(36,259)
Decrease(/increase) in trade and other receivables	**(14,944,578)**	(11,301582)
(Decrease)/increase in trade and other payables	**(11,956,726)**	31,998,101
(Decrease)/increase in deferred liability	**(21,004)**	(1,616,847)
Net cash flows from operating activities	**34,357,214**	58,869,488
Returns on investments and servicing of finance		
(Increase)/Decrease in held to maturity financial ass	**(6,131)**	14,995,775
Purchase of shares	**(500,041)**	
Interest received	**32,439**	505,574
Interest paid	**(12,607,750)**	(8,056,912)
Net cash flows from/(used on) returns on	**(13,081,483)**	
investments and servicing of finance		7,444,437
Income tax paid	**-**	(500,000)
Investing activities		
Purchase of property, plant and equipment	**(30,654,299)**	(125,457,216)
Proceeds on disposal of property, plant & equipmen	**931,095**	-
Adjustment to property, plant and equipment	**6,988,267**	-
Net cash flows used on investing activities	**(22,734,940)**	(125,457,216)
Financing activities		
Grants received	**-**	-
Long-term loan received	**9,784,138**	75,093,627
Finance lease received	**2,076,652**	2,422,222
Finance lease repaid	**(3,913,437)**	(2,767,659)
Repayment of loans	**-**	(14,592,500)
Net cash flows from financing activities	**7,947,353**	60,155,690
Movement in cash and cash equivalents		
Net cash flow	**6,488,144**	512,399
Cash and cash equivalents at beginning of the year	**7,568,534**	7,056,135
Cash and cash equivalents at end of the year	**14,056,678**	7,568,534

NOTES TO THE FINANCIAL STATEMENTS
for the year ending 31 December 2014

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 incurred a loss of K2.31 million (2013: profit of K13.18 million) before tax and its non current liabilities increased to K304 million from K263 million in the previous period. 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 31 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.

(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.

4.1 New standards and interpretations effective in 2014

IAS 36 - Disclosure requirements for the recoverable amount of impaired assets – effective 1 January 2014

The IASB has issued amendments to IAS 36 - Impairment of Assets, to clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

The amendments clarify the IASB's original intention: that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)

The amendments provide an exception to the consolidation requirements and represent a significant change for investment entities, which are currently required to consolidate investees that they control. Significant judgement of facts and circumstances may be required to assess whether an entity meets the definition of investment entity. The amendment is effective for annual periods beginning on or after 1 January 2014.

The key amendments include:

Investment entity' is defined in IFRS 10.An entity must meet all three elements of the definition and consider whether it has four typical characteristics, in order to qualify as an investment entity.

An entity must consider all facts and circumstances, including its purpose and design, in making its assessment. An investment entity accounts for its investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries that provide services that relate to the investment entity's investment activities, which must be consolidated. An investment entity must measure its investment in another controlled investment entity at fair value. A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For venture capital organisations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, is retained

IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - - effective 1 January 2014

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations: That arises as a consequence of laws or regulations, or the introduction of laws or regulations. Where the parties to the hedging instrument agree that one or more clearing counter parties replace the original counterparty to become the new counterparty to each of the parties that did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception.

The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.

For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

IAS 19 - Defined Benefit Plans: Employee Contributions1 - effective July 2014

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit.

The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

IFRIC 21 - Levies - effective 1 January 2014

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain.

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached.

IAS 32 - Offsetting Financial Assets and Financial Liabilities The amendment is effective for annual periods beginning on or after 1 January 2014.

The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts" (IAS 32.42(a)). This means that the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
  - the normal course of business;
  - the event of default; and
  - the event of insolvency or bankruptcy of the entity and all of the counterparties.

4.2 New standards and interpretations not yet effective in 2014

The following standards and interpretations have been issued or revised:

IFRS 15 - Revenue from Contracts with Customers – effective 1 January 2017

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates

IFRS 14 - Regulatory Deferral Accounts - effective 1 January 2016

The International Accounting Standards Board (IASB) issued IFRS 14 Regulatory Deferral Accounts to ease the adoption of International Financial Reporting Standards (IFRS) for rate-regulated entities. The standard allows an entity to continue applying most of its existing accounting policies for regulatory deferral account balances upon adoption of IFRS. This interim standard provides first-time adopters of IFRS with relief from derecognising rate regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation – effective 1 January 2016

The IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets prohibiting the use of revenue-based depreciation methods for fixed assets and limiting the use of revenue-based amortisation methods for intangible assets. The amendments are effective prospectively

IAS 16 and IAS 41 - Accounting for bearer plants – effective 1 January 2016

IAS 41 Agriculture currently requires all biological assets related to agricultural activity to be measured at fair value less costs to sell. This is based on the principle that the biological transformation that these assets undergo during their lifespan is best reflected by fair value measurement. However, there is a subset of biological assets, known as bearer plants, which are used solely to grow produce over several periods. At the end of their productive lives they are usually scrapped. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates.

The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16 Property, Plant and Equipment, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

IFRS 9 - Financial instruments1 – effective January 2018

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, as well as hedge accounting. IFRS 9 does not yet have a mandatory effective date, but early adoption is allowed. A mandatory effective date will be set when the IASB completes the impairment phase of the project. At its February 2014 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be for annual periods beginning on or after 1 January 2018.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint operation constitutes a business to apply, to the extent of its share, all of the principles on business combination accounting in IFRS 3 Business Combinations, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations. The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation. The amendments also clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business; previously held interests in the joint operation must not be re-measured if the joint operator retains joint control

The amendments are applied prospectively. Early application is permitted and must be disclosed. This amendment is effective for annual periods beginning on or after 1 January 2016.

The amendments are expected to have no impact on the financial statement of the Company as the Company does not have an interest in joint operations.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively. Early application is permitted and must be disclosed. This amendment is effective for annual periods beginning on or after 1 January 2016.

The Company is currently not using revenue-based amortisation methods for property, plant and equipment and as such this amendment is not expected to change our current amortisation approach.

4.3 Revenue recognition

Revenue is recognised on an accrual basis.

4.4 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.

4.5 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.

4.6 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.

4.7 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.

(i) Financial assets carried at amortised cost (continued)

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).

4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 Foreign currencies

(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.

4.16 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.

4.17 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.

4.18 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.

	2014 ZMW	2013 ZMW
Over flight fees	**13,943,598**	13,707,883
Navigation fees	**5,822,454**	4,507,106
Passenger fees	**74,615,885**	63,876,784
Security charges	**16,129,939**	13,204,059
CUTE and CUSS	**2,852,462**	2,437,185
Landing fees	**25,449,230**	23,863,837
Parking fees	**1,874,640**	1,410,456
Fuel through put fees	**2,937,364**	3,181,117
Car park	**1,945,267**	1,896,212
Ground handling	**37,248,282**	28,865,597
Excess baggage	**38,623**	27,741
Rentals	**12,919,303**	10,965,758
Aviation infrastructure fees	**31,188,004**	14,724,651
	226,965,051	182,668,386

8. Profit before tax

Profit before tax is stated after charging:	2014 ZMW	2013 ZMW
Auditors' remuneration	**381,117**	357,795
Depreciation	**35,553,329**	20,636,010
Directors' fees and expenses	**880,986**	1,157,397
Interest paid	**12,607,750**	8,056,912
and after crediting: Interest received	**32,439**	505,574

9. Income tax expense

		2014 ZMW	2013 ZMW
			2013 K
a.	**Recognised in the statement of comprehensive**	**8,026,601**	4,864,959
	Income tax on normal income	**1,412,483**	738,799
	Income tax on taxable other income	**-**	-
	Deferred income tax (note 9(e)	**-**	-
		9,439,084	5,603,758

b. **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:

	2014 ZMW	2013 ZMW
Tax at 35% on profit before tax	**3,104,655**	6,576,412
Non deductible expenses	**1,898,962**	1,094,776
Movement in revaluation reserves	**(2,674,169)**	(2,674,169)
Prior year under/(over) provision	**(1,742,270)**	606,739
Deferred tax asset not recognised	**8,851,906**	-
	9,439,084	5,603,758

c. **Income tax payable**

	2014 ZMW	2013 ZMW
Tax payable at beginning of year	**6,146,234**	1,042,476
Charge for the year (note 9(a))	**9,439,084**	5,603,758
Taxation paid	**-**	(500,000)
Taxation payable at end of year	**15,585,3184**	6,146,234

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.

Deferred income tax
Recognised deferred income tax liability

	2014 ZMW	2013 ZMW
Deferred income tax liability is attributable		
to the following:		
Accelerated tax allowances		114,597,429
Exchange gains		1,536,591
Exchange losses		(12,650)
Unutilised tax losses		(5,286,806)
Revaluation reserves		(94,264,490)
Provision for bad debts		(863,629)
Amount provided for		**15,706,445**
Analysis of movement:		
At 1 March		15,706,445
Provision made during the year (note 9 (a)		-
At 31 December		**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	412,173,323	10,737,323	134,732,810	81,457,551	639,101,007
Additions	-	2,422,222	1,602,403	37,044,985	40,828,637
At 31 December 2013	412,173,323	13,159,545	140,656,989	198,568,366	764,558,223
Additions	22,666	2,076,653	5,877,058	22,677,922	30,654,299
Transfers	151,673,431	-	61,296,079	(212,969,510)	0
Disposals	-	(2,533,888)	(172,752)		(2,199,868)
Adjustment			(6,988,267)		(6,988,267)
At 31 December 2014	**563,869,420**	**12,702,310**	**200,669,107**	**8,276,779**	**785,517,616**
At valuation	404,660,000	-	-	-	404,660,000
At cost	159,209,420	12,702,310	200,669,107	8,276,779	381,364,388
	563,869,420	12,702,310	200,669,107	8,276,779	785,517,616
Depreciation					
At 31 December 2012	48,654,392	6,916,013	96,132,575	-	151,702.980
Charge for the year	14,096,735	1,733,268	19,723,326	-	35,553,329
Disposals	-	-	-	-	-
At 31 December 2013	58,960,110	8,029,692	102,921,908	-	169,911,710
Charge for the year	14,096,735	1,733,268	19,723,326	-	35,553,329
Disposals	-	(2,272,194)	(172,761)	-	(2,444,955)
At 31 December 2014	**73,056,845**	**7,490,766**	**122,472,473**	-	203,020,084
Net book value					
At 31 December 2014	**490,812,575**	**5,211,544**	**78,196,636**	**8,276,779**	**582,497,534**
At 31 December 2013	351,782,855	4,904,755	37,735,081	198,568,366	594,646,513

(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 Zambia Airports Corporation Limited (Formerly 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

	2014 ZMW	2013 ZMW
	2014 K	
ZEGA Limited. - 10% interest	**1,248,000**	1,248,000
	462,761	-
	1,710,761	1,248,000

12. Inventories

	2014 ZMW	2013 ZMW
Consumable stores	**1,864,230**	1,210,720

13. Trade and other receivables

	2014 ZMW	2013 ZMW
Trade debtors	**97,193,090**	78,889,449
Less: provision for impairment losses	**(40,582,784)**	(36,234,337)
	56,610,306	42,655,112
Staff loans and advances	**3,797,697**	3,278,189
Deposits and prepayments	**6,343,090**	5,873,214
	66,751,093	51,806,515

14. Held to maturity financial assets

	2014 ZMW	2013 ZMW
Intermarket Discount House	**-**	-
Finance Bank	**-**	-
Banc ABC	**-**	-
Finance Building Society	**101,201**	95,070
	101,201	95,070

15. Cash and cash equivalents

	2014 ZMW	2013 ZMW
Cash in hand and at bank (note (a))	**15,098,318**	10,399,715
Bank overdrafts (note (b))	**(1,041,640)**	(2,831,181)
	14,056,678	7,568,534

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

	2014 ZMW	2013 ZMW
KBC Bank NV (note (i))	**-**	2,801,696
Other bank balances	**15,073,575**	7,590,135
Cash in hand	**13,405**	7,884
	15,086,980	10,399,715

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

b.

Bank overdrafts	**243,265**	
Stanbic	**683,725**	57,441
Barclays Bank	**114,650**	2,773,740
Zambia National Commercial Bank Plc		
	1,041,640	2,831,181

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

Authorised, 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

At beginning of the year	**117,005,404**	122,234,493
Additions during the year	**-**	-
Amortisation during the year	**(5,229,089)**	(5,229,089)
At the end of the year	**111,776,315**	117,005,404

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

18. Long-term loans

	2014 ZMW	2013 ZMW
Zambia National Commercial Bank ….	**19,988,588**	-
Loan (1)	**11,725,362**	
Loan (2)		23,605,671
Loan (3)	**71,823,983**	11,826,913
Loan (4)	**18,260,050**	66,221,998
	121,797,983	101,654,581
Portion repayable within next 12 months	**26,960,449**	14,592,500
Portion repayable after 12 months	**94,837,534**	87,062,081
	121,797,983	101,654,581

These Zanaco facilities represent US$25,000,000.00 loans bearing interest at 10% and are repayable by April 2021. The loans are secured by the assignment of foreign currency receivables from IATA.

19. Obligations under finance leases

At beginning of the year	**3,632,414**	3,977,851
Additions during the year	**2,076,653**	2,422,222
Repayments during the year	**(3,913,437)**	(2,767,659)
At end of the year	**1,795,630**	3,632,414
Repayable within next 12 months	**1,795,630**	2,767,659
Repayable after 12 months		864,755
	1,795,630	3,632,414

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

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

2014	**-**	2,767,659
2015	**-**	864,755
	-	3,632,414

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.

	2014 ZMW	2013 ZMW
At beginning of the year	**87,350,078**	88,966,925
Interest	**9,210,531**	10,115,517
Payments	**(9,231,536)**	(11,732,364)
	87,329,074	87,350,078
Repayable within next 12 months	**9,120,000**	3,600,000
Repayable after 12 months	**78,209,074**	83,750,078
	78,209,074	87,350,078

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	**3,310,775**	2,782,431
Interest on discontinued defined benefit liability scheme	**9,210,531**	10,115,517
	12,521,305	12,897,948

21. Trade and other payables

Trade creditors	**22,149,269**	34,664,665
Accruals	**7,335,448**	9,626,460
Other creditors and provisions	**6,984,130**	4,134,448
	36,468,847	48,425,573

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

	2014 ZMW	2013 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

		2014 ZMW	2013 ZMW
		0	0
(a)	Key management compensation	**0**	0
		0	0
	Salaries and other short term employee benefits	**4,466,035**	7,147,155
	Termination benefits	**10,337,185**	11,732,364
(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.

28. Events subsequent to the reporting date

Post year end the directors changed the company's name from National Airports Corporation Limited to Zambia Airports Corporation Limited to reflect the ethos of the company.

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ending 31 December 2014

	12 months to 31 December 2014 ZMW	12 months to 31 December 2013 ZMW
Revenue	**226,965,051**	182,668,386
Other income		
Capital grants amortised	**5,229,089**	5,229,089
Sundry income	**3,050,863**	2,288,846
	12,207,911	7,517,935
Interest income	**32,439**	505,574
Exchange gains (net)	**-**	505,348
	32,439	1,010,922
	235,277,442	191,197,243
Less:		
Expenditure		
Depreciation	**35,553,329**	18,208,730
Employee costs		
Salaries and wages	**90,834,755**	72,375,362
Other staff costs	**19,591,520**	21,522,304
	110,426,275	93,897,666
Finance charges	**12,607,750**	8,056,912
Other operating expenses		
Printing & Stationary	**1,792,401**	1,448,792
Books & periodicals	**198,591**	183,279
Subscription - Company	**321,668**	223,223
Office expenses	**75,876**	203,318
Postage	**232,258**	111,455
Telephone & internet	**1,559,272**	914,143
Cleaning materials	**403,325**	488,439
Travel expenses - local	**2,471,534**	1,988,407
Travel expenses - foreign	**2,129,972**	1,655,504
Electricity	**1,782,708**	1,414,752
Water	**270,288**	273,324
Land rates	**2,494,164**	1,000,264
Hire of transport	**3,159,514**	3,397,144
Aviation security	**530,220**	133,310
Security expenses	**893,005**	554,873
Cargo & mail	**4,535,630**	3,822,409
Cleaning services	**1,476,909**	981,793
SITA charges	**4,409,773**	3,681,788
Insurance	**396,620**	1,868,283
Staff uniforms	**85,345**	2,494,807
Protective clothing	**517,358**	443,547
Carried forward	**29,736,331**	27,282,854

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ending 31 December 2014

	12 months to 31 December 2014 ZMW	12 months to 31 December 2013 ZMW
Brought forward	**29,736,331**	27,282,854
Fire fighting form	**-**	593,646
Motor vehicle expenses	**2,204,117**	3,126,516
Repairs & maintenance	**11,297,323**	10,087,308
Consultancy	**25,986**	17,242
Legal	**37,207**	180,185
External audit fees	**381,117**	357,795
Directors fees and expenses	**880,986**	1,157,397
Entertainment	**80,001**	317,696
Marketing	**20,831**	43,599
Corporate promotions & Advertising	**1,959,438**	1,362,830
Donations	**287,758**	91,142
Tender Evaluation Expenses	**110,710**	74,288
Licencing	**574**	232,807
MCT/DCA/MET	**734,893**	388,685
VAT expenses	**659,225**	502,844
Sundry expenses	**400,687**	436,055
Bank charges	**387,344**	947,954
IATA charges	**3,214,952**	2,689,495
Bad debts provision	**4,348,447**	2,353,849
CANSO	**256,553**	-
		-
Exchange loss	**10,359,264**	52,244,187
Total expenditure		
	67,383,745	52,244,187
Profit before tax	**9,306,343**	18,789,748

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