Zambia
AIRPORTS
Corporation Limited

2015 ANNUAL REPORT

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Financial Year ending 31 December 2015

HIGHLIGHTS

Financial Highlights

	Dec 2015 ZMW	Dec 2014 ZMW	% VARIANCE
Turnover	332,443,199	226,965,051	46
Other Income	8,413,315	8,312,391	1
Finance Charges	18,918,003	12,607,750	50
Profit/ (Loss) before tax	45,775,692	9,306,343	392
Cash & Cash Equivalents	40,279,586	14,056,678	186
Asset Capitalisation	41,563,191	30,654,302	360
Total Assets	**582,968,085**	**582,497,534**	

Traffic Highlights

	Dec 2015 ZMW	Dec 2014 ZMW	% VARIANCE
Total Passenger Numbers	1,586,516	1,574,242	0.8
Domestic Passengers	295,608	314,679	-6
International Passengers	1,290,908	1,259,563	2
Paying Passengers	566,803	572,957	-1
Domestic Passengers	127,586	131,343	-2
International Passengers	439,217	441,614	-0.5
Total Aircraft Movements	66,393	67,047	

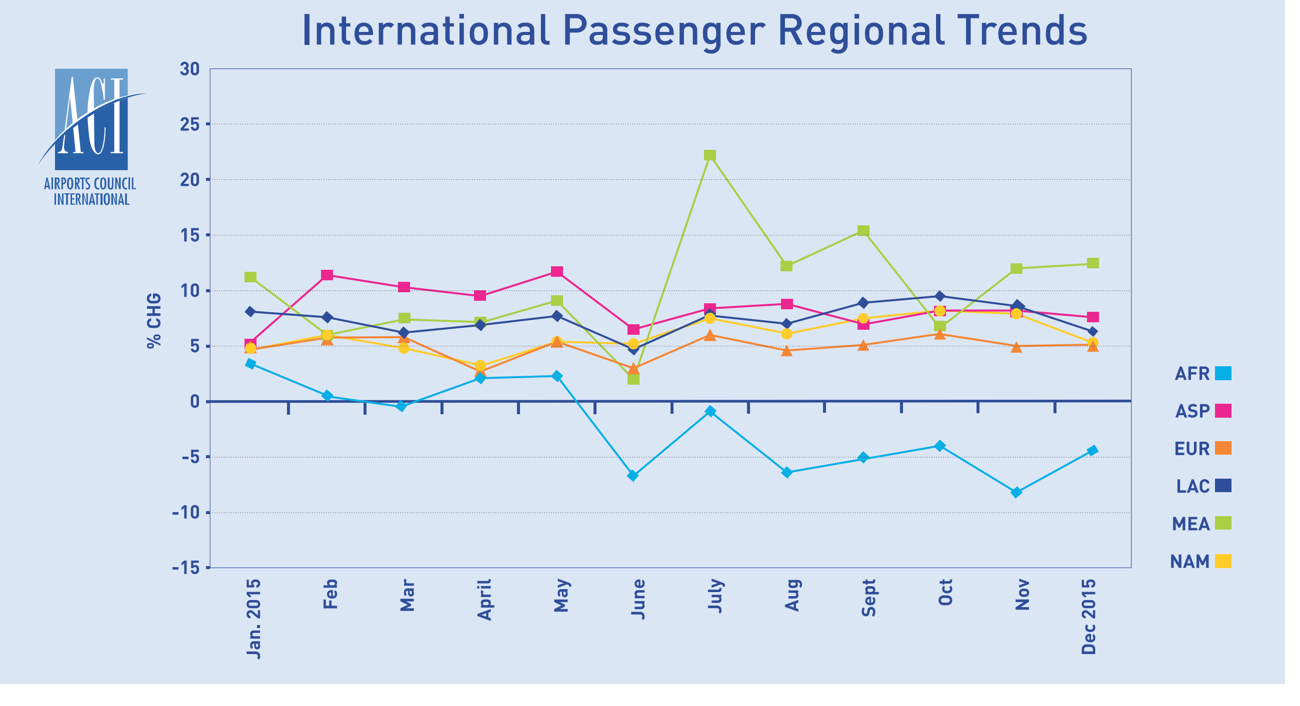
BOARD CHAIRPERSONS
STATEMENT

It is with great pleasure that I present the Annual Report on the operations of Zambia Airports Corporation Limited for the year ended 31 December 2015. The Corporation has posted a growth in revenue in excess of 46% over the previous year's result. We are pleased that the Corporation has equally produced a positive profit of K22 million after tax. However the year only recorded a modest growth in international passenger numbers of 2.4% from 2014. This is a reflection of the stagnation of the economy. With mines closing and downsizing on the Copperbelt there was little activity to warrant international travel. With a local economy that is heavily dependent on copper mining insulation is almost non-existent from external shocks such as the slow- down in Chinese economy. Reduced copper prices and production impacted negatively on the performance of the Zambian economy. The hike in US interest rates worsened the situation.These developments also caused a major weakening of the local currency with a depreciation of 9% between January and December. This depreciation is what has helped in portraying a huge increase in the Corporation income as the majority of the firm's income is in foreign currency.

The Corporation's revenue is composed of aeronautical and non- aeronautical revenue. Aeronautical revenue accounts for 90% of the total revenue, while 10% relates to non-aeronautical revenue. The respective airports performance was as follows:

AIRPORT	Passenger number
Kenneth Kaunda International Airport	**1,127,705**
Simon Mwansa Kapwepwe International Airport	**255,223**
Harry Mwaanga Nkumbula International Airport	**175,388**
Mfuwe International Airport	**28,200**

Passenger movement



1.1 Passenger Traffic

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

Year	DESCRIPTION	NUMBERS	GROWTH
Dec 2015	Domestic Passengers	295,608	-6%
Dec 2015	International Passengers	1,290,908	2.4%
	Total Passengers	**1,586,516**	
Dec 2014	Domestic Passengers	314,679	4.87%
Dec 2014	International Passengers	1,259,563	1.33%
	Total Passengers	**1,574,242**	

Generally, international passenger movement performance continues to be positive at KKIA and Mfuwe. This spurred by increased frequencies by Rwandair, Kenya Airways, Fastjet and Proflight Zambia.

We also saw the introduction of a CRJ100 by Proflight which enhanced the domestic capacity.

On a negative note though, KKIA, SMKIA and HMNIA recorded negative growths in domestic passenger, while SMKIA and HMNIA recorded negative performances in the International movement. We remain confident that the rebound of the economy both internationally and locally is imminent. The passenger numbers are expected to be on a positive trajectory.

Positive factors

- Increased domestic and international passenger movement out of Kenneth Kaunda International Airport.
- The new operations of Rwandair at Kenneth Kaunda international airport.
- 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 CRJ100 for its domestic market.
- Proflight introduced regional flights, including weekly flights to Durban. This capacity increase was also seen in the expanded frequencies within their domestic network.
- Introduction of a second flight by Ethiopian airline three times a week.
- Fastjet commenced daily flights into KKIA from Dar es salaam.
- Increased charters operations due to increasing business activities.

Negative factors

- Increased competition from Victoria Falls airport in Zimbabwe following the improvement of the political situation and the redevelopment of airport infrastructure.
- Limited bed capacity in Mfuwe during peak seasons limiting our ability to market the servicing of this destination with bigger aircraft and more frequencies.
- Fly Africa Airlines discontinued their flights into KKIA after only about 3 months of operations.
- The Ebola virus outbreak in west Africa affected air travel as most tourist shunned visiting Africa.

1.2 Staff Welfare

The Corporation continued to provide support for the HIV/AIDS policy and the Voluntary Medical Scheme (VMS). This is a scheme that supplements the medical bills for those affected with this pandemic. There is marked improvement in reduction of cases of absenteeism, sickness and deaths due to AIDS related conditions. Management plans to transform this scheme into an Employee Wellness Program. This will enable the scheme to have an all-inclusive focus on other life threatening terminal ailments affecting employees like diabetics and hypertension.

1.3 Corporate Performance

The Corporation's operating revenue was K332 million for the financial year ended December 2015 compared to K226 million for the year ending December 2014. After expenses of K295 million, this resulted into a profit after tax of K22million compared to a loss after tax of K0.133 million in the year ending December 2014.

DESCRIPTION	December 2014	December 2013
OPERATING INCOME		
Airport Services	302,650,033	207,198,999
Air Navigation Services	29,793,166	19,766,052
Other Income	8,413,315	8,312,391
TOTAL	340,856,514	235,277,442
EXPENSES	295,080,821	225,971,099
Tax	23,656,518	9,439,084
PROFIT/(LOSS) AFTER TAX	22,119,174	(132,741)

1.4 Strategic Focus

The Corporation continues to see opportunities for growth as a way of improving non aeronautical revenue. Our strategic key focus continues to be on the following:

- Continually improving operating efficiencies and inviting more airlines to come to Zambia.
- Investing in airport infrastructure at all airports.
- Building new facilities which encompasses the concept of airport cities in order for us to grow our non- aeronautical revenue base
- Investing in a robust management information system that integrates all the systems in the Corporation so as to improve flow of information as well as eliminate waste.
- Continue lobbying for a national airline or flag carrier domiciled in Lusaka to make Zambia a hub.

1.5 Corporate Governance

The Corporation's 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.

Main Board Meetings

Membership and attendance

Names	Meetings held	Meetings Attended
Ms Mubanga Musakanya – Board Chairperson	6	6
Ms Kutemba Konga	6	4
Mr Lazarous Chota	6	5
Mr Felix Nkulukusa/ Dr Ronald Simwinga PS- MoFP	6	6
Mr Charles Sipanje/Mrs Mbololwa W Muyaba PS- MTWSC	6	6
Mr Boniface Njovu	6	6
Mr Robinson Misitala – MD ZACL	6	6

There were 3 Scheduled and 3 Special Board Meetings held during the year.

Appointments, Remuneration and Human Relations Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Mr Lazarous Chota - Chairperson	6	6
Ms Namucana Musiwa	6	6
Mr Bannie Lombe	6	6
Mr Robinson Misitala – MD ZACL	6	6
Mr Boniface Njovu	6	6

There were 3 Scheduled and 3 Special Committee meetings were held in the year under review.

Finance and Capital Projects Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Mr Felix Nkulukusa- PS MoFP Chairperson	6	1
Mr Nonny Mwanyungwi	6	6
Mr Michael Mbulo	6	5
Mr George Sitali	6	6
Mr Robinson Misitala – MD ZACL	6	6

There were 4 Scheduled and 2 Special Committee meetings were held in the year under review.

Audit, Risk and Compliance Committee

Membership and attendance

Names	Meetings held	Meetings Attended
Ms Kutemba Konga - Chairperson	6	6
Mr Joe M Chisanga	6	6
Mr George Ndongwe	6	6
Mr Stanford Mtamira	6	6
Mr Charles Sipanje / Mrs Muyaba - PS - MTWSC	6	6
Mr Robinson Misitala – MD ZACL	6	6

There were 4 Scheduled and 2 Special Committee meetings were held in the year under review.

1.6 Corporate Social Responsibility

Zambia Airports Corporation Limited believes that doing business in a social responsive and sustainable manner drives positive development outcomes. Therefore our programmes to achieve the corporate social responsibility are grouped in the following categories; community services; environmental and social responsibility by maintaining a clean environment, staff welfare; compliance with laws and regulations, by being a good tax compliant client and ethics and integrity in business dealings.

During the year under review; the Corporation donated a mother's shelter in Chongwe at Chongwe District hospital with a value of K1.5million. The Corporation also made various donations to various Cultural Ceremonies; Matero after Care Home, Lusaka Prison, and various Orphanages. The Corporation also participated in the Women's Day and World Aids day activities.

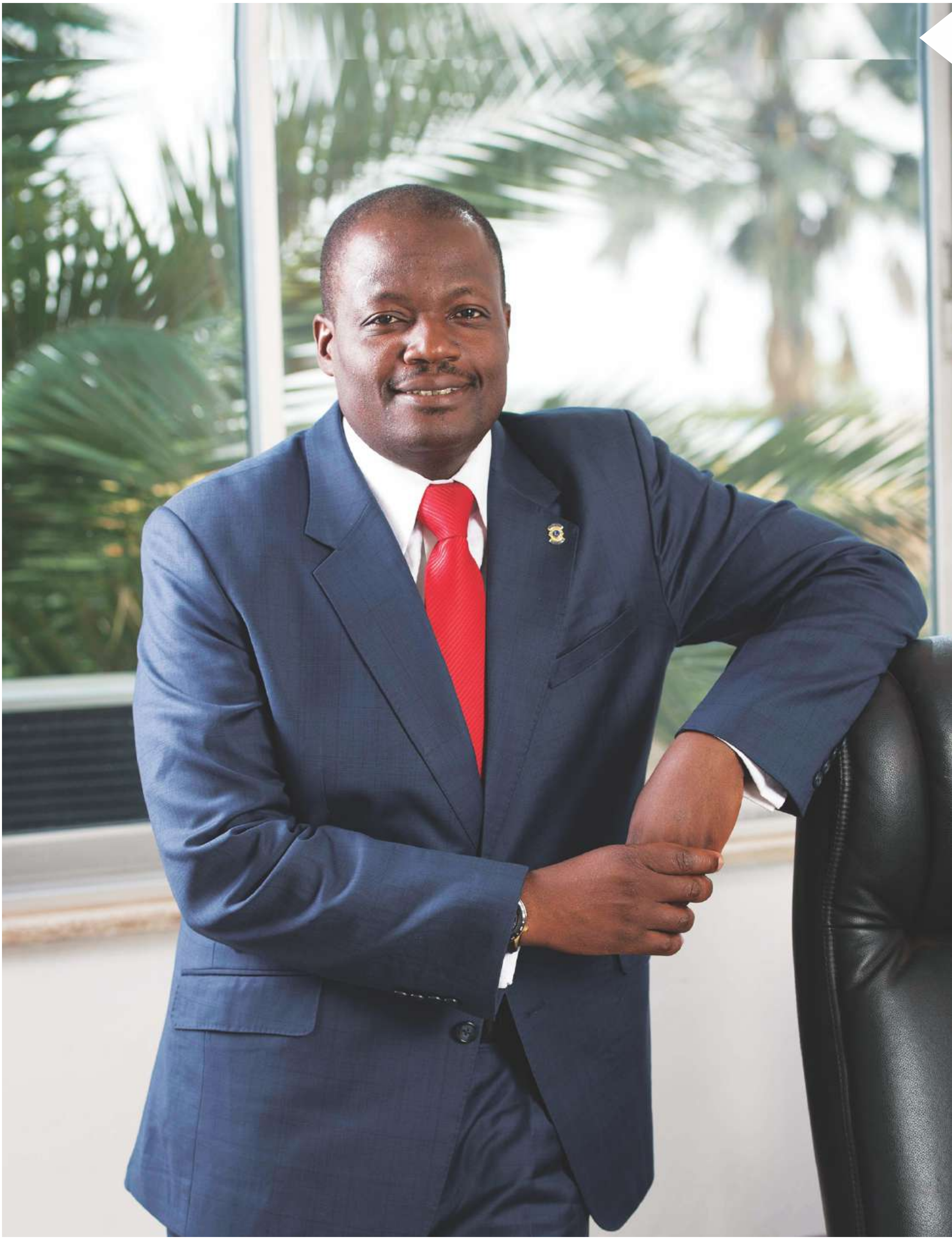
1.7 Sports

During the year under review, the Corporation participated in various sports disciplines such as football, netball and darts at all the four airports. The Corporation sponsors teams in these disciplines.

1.8 Future Focus

In line with the Corporation vision, to be the leading provider of world class airport and air navigation services, the Corporation will continue to focus its attention on the infrastructure upgrade and improvement of safety and security at all the four airports. With the Government financial support the Corporation is in the process of upgrading Kenneth Kaunda International airport and constructing a greenfield airport in Ndola, Copperbelt Province. The Corporation will continue to invest more in modern Ground Handling equipment to position itself for new business.


SAMSUNG
SAMSUNG
SUHD TV



MANAGING DIRECTORS
REPORT

2.1 Principle Activities

I am delighted to report on the activities of Zambia Airports Corporation Limited for the year ending December 2015. The Corporation bases the 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 K45.776million and a profit after tax of K22.119million. This achievement could not have been possible without the commitment of my management team and the dedicated staff. The main factor contributing to the growth in revenue was the depreciation of the kwacha against other convertible currencies. Aeronautical revenue accounts for 90% of total revenue which is USD denominated.

The Board has proposed to pay a dividend of K3.5million to shareholders. This is a milestone as this is the first time in 27 years that a dividend is being declared.

The Corporation operates through three divisions; Airport Services; Air Navigation Services and Head Office.

2.2 Airport Srvices Division

2.1.1 Function

The responsibilities of the Airport Services Division are as follows:

- Sales and Marketing of the airport facilities, 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

2.2.2 Aeronautical Revenue

Aeronautical revenue is broken down into:

- Passenger Service Charge
- Aircraft Landing
- Aircraft Parking
- Ground Handling Services, and
- Aircraft Equipment Hire
- Aviation Security Charge
- Infrastructure Development Fee

2.2.3 Non-Aeronautical Revenue

Non aeronautical revenue encompasses:

- Restaurants/Duty Free shops
- Advertisements
- Rentals and concessions
- Short and long-term car parking.

2.3 Business Environment

Aeronautical revenue accounted for 90.71% of the company's performance in the year under review whilst 9.29% was generated by non-aeronautical revenue.

The Corporation's main income contributor remains Passenger Service Charge which accounted for 33.5% of total revenues. With increased traffic into our airports we recorded a year on year growth in passenger numbers as indicated in the table below.

2015		KKIA	SMKIA	HMNIA	MFW	TOTAL
Jan-Dec	Domestic Passengers	168,969	62,765	39,065	24,809	295,608
	International Passengers	958,736	192,458	136,323	3,391	1,290,908
	Total	**1,127,705**	**255,223**	**175,388**	**28,200**	**1,586,516**
2014						
	Domestic Passengers	172,745	73,867	44,484	23,583	314,679
Jan-Dec	International Passengers	908,091	194,350	154,510	2,612	1,259,563
	Total	**1,080,836**	**268,217**	**198,994**	**26,195**	**1,574,242**
% Growth						
	Domestic Passengers	(2.2)	(15)	(12)	5.2	(6)
	International Passengers	5.6	(0.9)	(11.8)	29.8	2.5
	Total	**4.3**	**(4.8)**	**(11.9)**	**7.7**	**0.8**

2.4 General Passenger Movement

The general passenger movement for the period January to December, 2015 for all four airports was 1,586,516. This represents total domestic passenger numbers of 295,608 and 1,290,908 for international passenger movements signifying positive growth in international movements of 2.5% and negative growth in domestic movements of (6) % respectively.

KKIA and Mfuwe International Airport recorded positive passenger movement performances of 4.3% and 7.7% respectively whilst SMKIA and HMNIA recorded negative passenger movement performances of (4.8)% and (1.9)% respectively.

The respective airports passenger performance was as follows;

Airport	Passenger No.
Kenneth Kaunda International Airport	1,127,705
Simon Mwansa Kapwepe International Airport	255,223
Harry Mwaanga Nkumbula International Airport	175,388
Mfuwe International Airport	28,200

New Route Development Business

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

Fastjet Airlines commenced daily flights into KKIA.

Air Zimbabwe resumed operations from Harare to Lusaka.

Ethiopian Airlines introduced an additional night flight 3 times a week.

Rwandair started operating from Kigali to Lusaka and Kigali to Johannesburg via Lusaka.

Proflight introduced flights to Durban.

Proflight introduced a CRJ 100, a fifty seater aircraft on both domestic and international routes.

Fly Africa commenced operations from Harare to Lusaka.

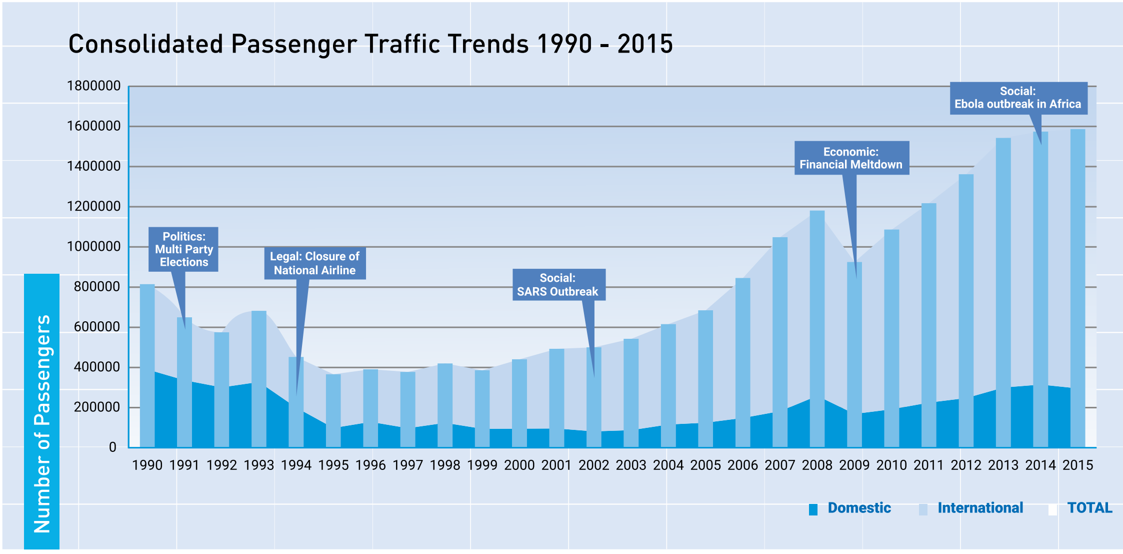
Air Namibia introduced an Airbus 319 on their route to Lusaka.

Generally, international passenger movement performance continues to be positive at KKIA and Mfuwe spurred by increased frequencies by Rwandair, Kenya Airways, Fastjet and Proflight Zambia.

On a negative note though, KKIA, SMKIA and HMNIA recorded negative growths in domestic passenger, SMKIA and HMNIA recorded negative performances in the International movement.

Notable endogenous and exogenous factors that affected the Company's cyclical performance, both positively and negatively, in 2015 where:

- The Ebola outbreak in West Africa affected air travel.
- Increased international passenger movement at Kenneth Kaunda International Airport.
- The depreciation of the kwacha against the dollar.
- The new operations of Rwandair at Kenneth Kaunda international airport.
- Proflight increased its capacity by introducing a CRJ100 and also introduced regional flights, including weekly 3 flights to Durban. This capacity increase was also seen in the expanded frequencies within their domestic network.
- Increased competition from Victoria Falls airport in Zimbabwe following the improvement of the political situation and the redevelopment of infrastructure.
- Limited bed capacity in Mfuwe during peak seasons limiting our ability to market the servicing of this destination with bigger aircraft and more frequencies.
- While the yellow fever requirements were removed by South Africa, the effects are still being felt as there is still a perception which requires a lot of sensitization to be removed.
- Introduction of a second flight by Ethiopian airline three times a week.
- Proflight increased aircraft size and introduction of promotional fares.
- Fastjet commenced daily flights into KKIA.
- Fly Africa Airlines discontinued their flights into KKIA after only about 3 months of operations.
- Increased charter operations due to increasing business activities.



2.5 Paying Passenger Movements

The Corporation recorded a positive growth of 2.5% when compared to the year 2014. 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		2014 Financial Year				2015 Financial Year				Compared To last Year	
Category		ACTUAL	BUDGET	VARRIANCE	DIFFERENCE %	ACTUAL	BUDGET	VARRIANCE	DIFFERENCE %	GROWTH	DIFFERENCE %
KKIA	Domestic	74,768	65,019	9,749	15%	69,528	85,330	(15,802)	(18.5)	-(5,240)	(7.0)%
	International	308,958	308,891	67	0%	312,531	330,332	(17,801)	(5.4)	3,573	1.2%
TOTAL		383,726	373,910	9,816	3%	382,059	415,662	(33,603)	(8)	(1,667)	(0.43)%
SMKIA	Domestic	36,305	34,646	1,659	5%	26,165	39,952	(13,787)	(34.5)	(10,140)	(27.9)%
	International	59,242	54,500	4,742	9%	57,714	59,520	(1,806)	(3)	-(1,528)	(2.6)%
TOTAL		95,547	89,146	6,401	7%	83,879	99,472	(15,593)	(15.7)	-(11,668)	(12)%
HMKIA	Domestic	19,938	27,510	- 7,572	-28%	19,216	22,667	(3,451)	(15.2)	(722)	(3.6)%
	International	73,385	70,546	2,839	4%	67,973	77,089	(9,116)	(11.8)	(5,412)	(7.4)%
TOTAL		93,323	98,056	- 4,733	-5%	87,189	99,756	(12,567)	(12.6)	(6,134)	(6.6)%
MFUWE	Domestic	332	393	- 61	-16%	12,677	10,834	1,843	316	12,345	2.6%
	International	29	15	14	93%	999	1,175	(176)	(14.9)	220	18%
TOTAL		361	408	- 47	-12%	13,676	12,009	1,667	13.9	96	0.7%
	Domestic	131,343	127,568	3,775	3%	127,586	158,783	(31,197)	(19.6)	(15,786)	(11) %)
	International	441,614	433,952	7,662	2%	439,217	468,116	(28,900)	(6.2)	(3,587)	(0.8) %)
GRAND TOTAL		572,957	561,520	11,437	2%	566,803	626,899	(60,096)	(9.6)	(19,373)	(3.3) %)

2.6 Aircraft Movement

During the period January to December, 2015, the Corporation recorded total aircraft movements of 66,393 compared to 67,047 in 2014 recording less than 1% growth.

Airport	Movement
Kenneth Kaunda International Airport	40,406
Simon Mwansa Kapwepe International Airport	9,769
Harry Mwaanga Nkumbula International Airport	13,248
Mfuwe International Airport	2,970

The performance by airport was: KKIA with 40,406, SMKIA with 9,769, HMNIA with 13,248; and Mfuwe International Airport with 2,970 aircraft movements.

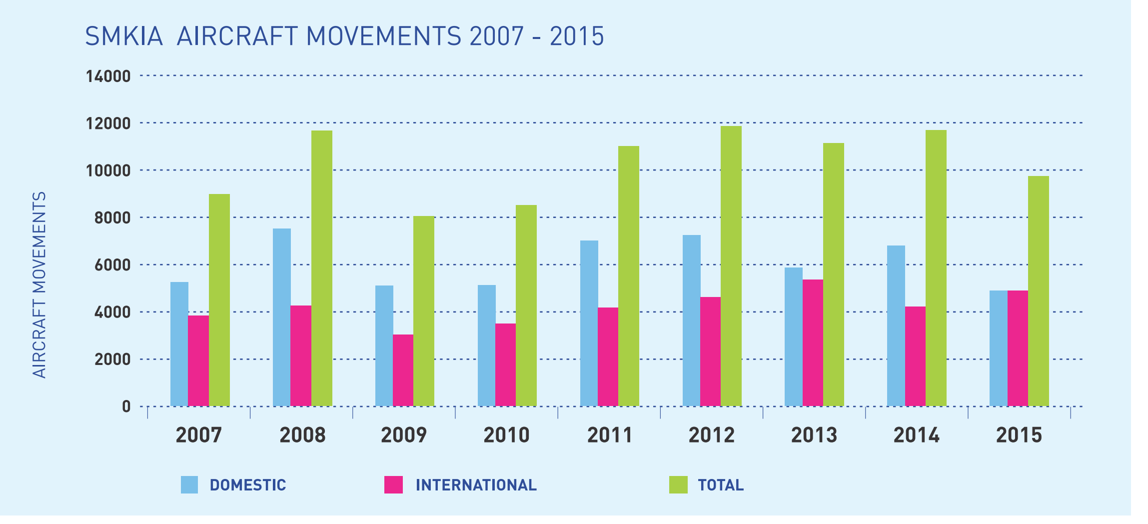
KKIA and MIA recorded positive growths of 3.62%; and 1.68 % respectively, whilst SMKIA, and HMNIA recorded negative growth of (16.72) and (1.15) respectively. The reasons given as affecting aircraft movement are therefore the same as in this case (See table below).

CONSOLIDATED AIRCRAFT MOVEMENTS, 2007 - 2015

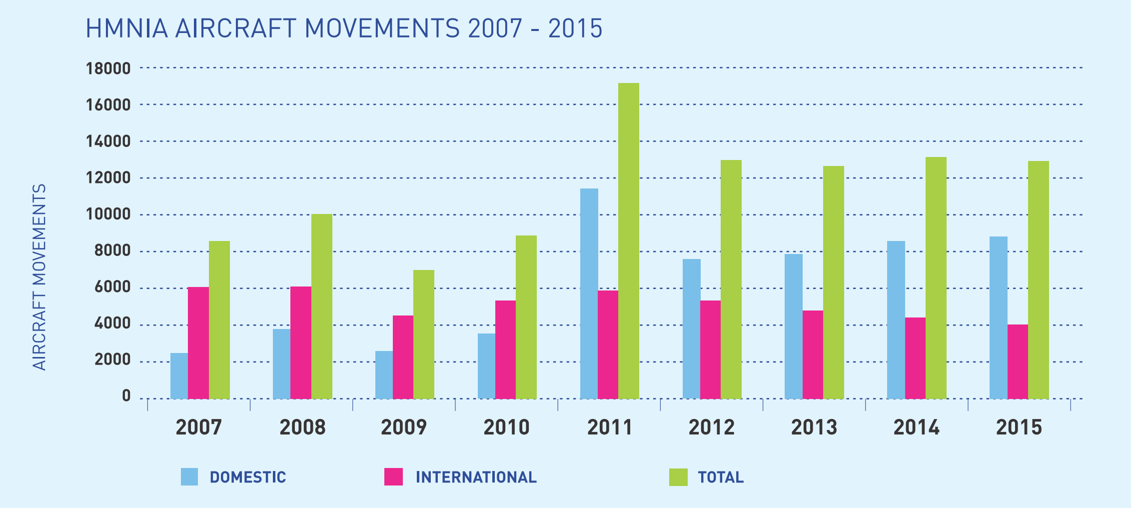
Below are graphs showing performance by airport and a consolidated position.

KENNETH KAUNDA AIRCRAFT MOVEMENTS, 2007 - 2015

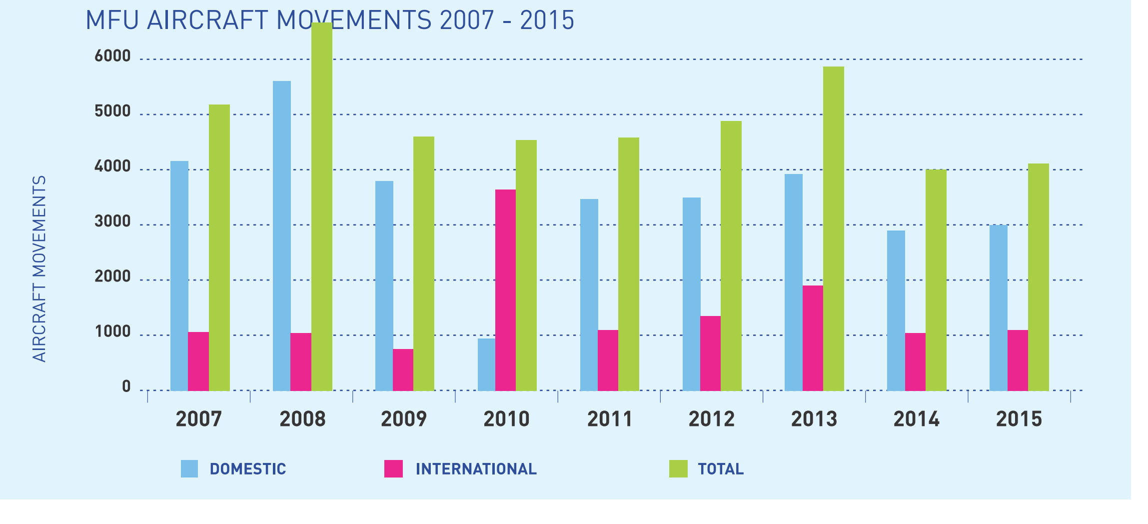
SIMON MWANSA KAPWEPWE AIRCRAFT MOVEMENTS, 2007 - 2015



HARRY MWAANGA NKUMBULA AIRCRAFT MOVEMENTS, 2007 - 2015

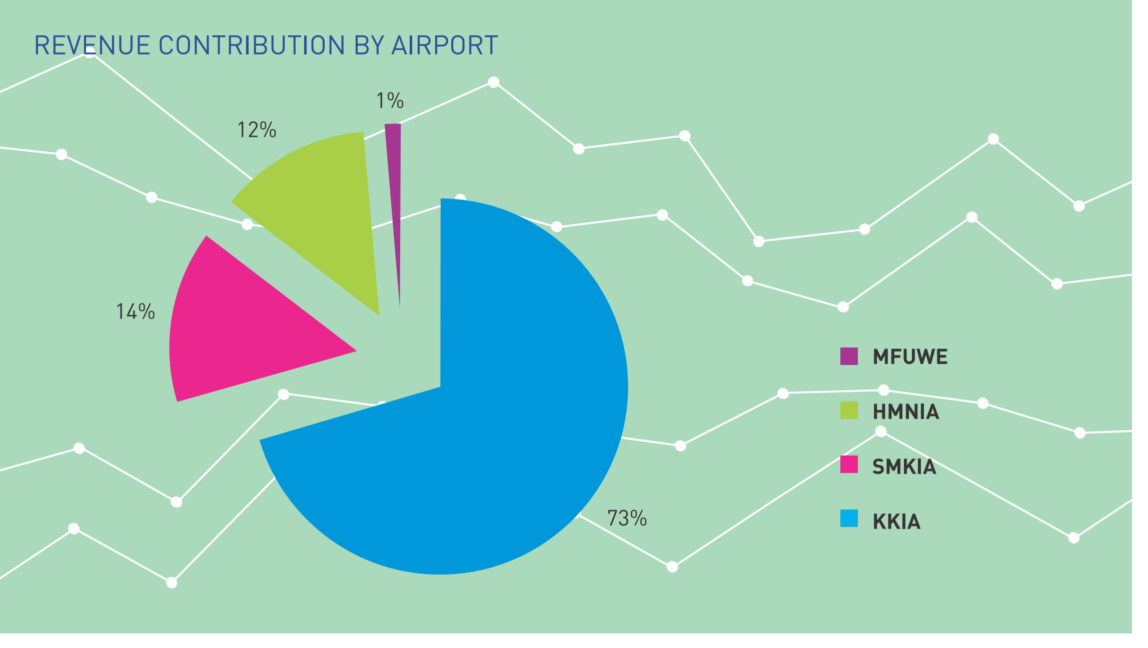


MFUWE AIRCRAFT MOVEMENTS, 2007 - 2015



TOTAL REVENUE CONTRIBUTION BY AIRPORT, 2015

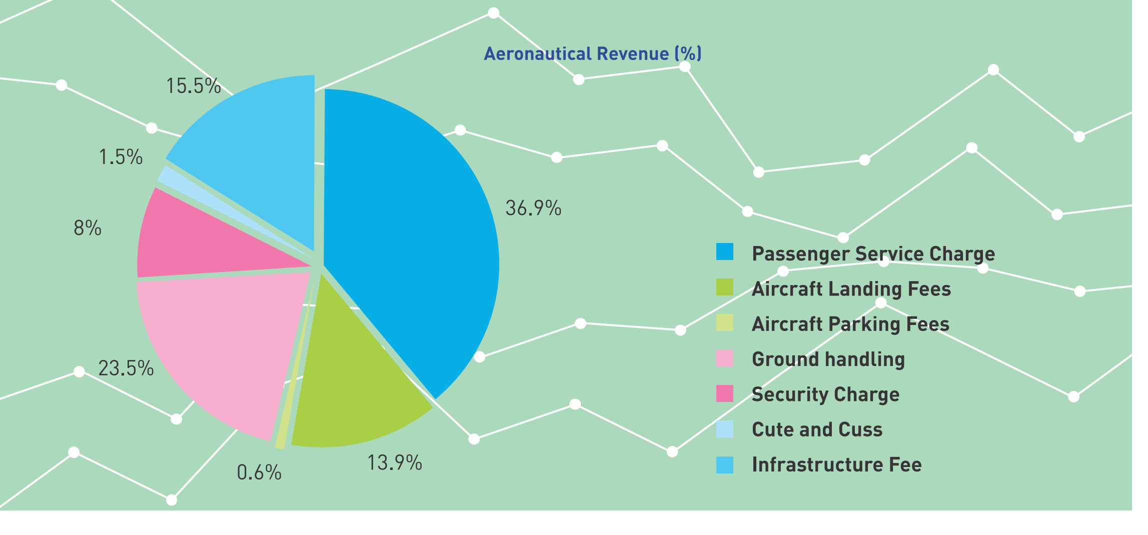
Airport	Actual (K)	Budget (K)	Variance	% Variance	% Contribution
KKIA	220,920,883.96	177,894,476.99	43,026,406.97	24	73%
HMIA	41,660,352.85	38,194,902.68	3,465,450.17	9	14%
SMKIA	35,517,878.91	33,788,342.02	1,728,050.89	5	12%
MFUWE	4,550,917.28	2,846,493.87	1,643,158.08	59	1%
TOTAL	302,650,033	252,724,215.56	49,361,951.07	20	100%



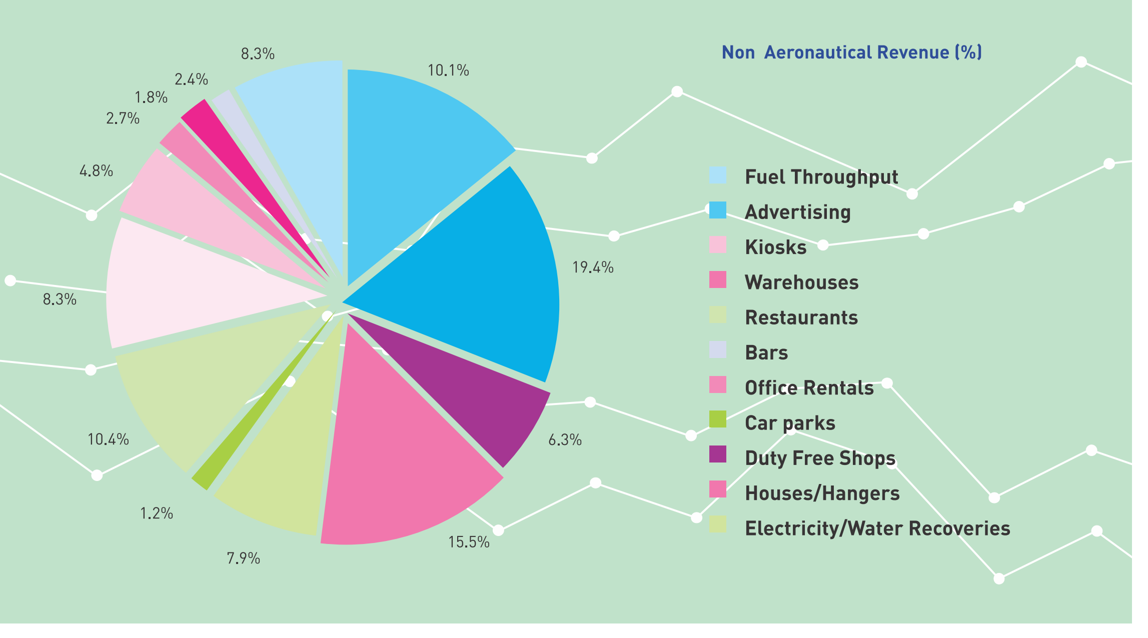
REVENUE CONTRIBUTION BY PRODUCT CATEGORY AIRPORT SERVICES

The total income made by the division was K 302,148,918 of which K 274,083,500, representing 90.71% was aviation income and K 28,065,418 representing 9.29% was from non-aviation income. Below is a presentation of the percentage contribution by category;

REVENUE CONTRIBUTION BY PRODUCT CATEGORY - AIRPORT SERVICES



AERONAUTICAL REVENUE	REVENUE (K)	% CONTRIBUTION
Passenger Service Charge	102,990,823	36.9%
Aircraft Landing Fees	38,062,120	13.9%
Aircraft Parking Fees	2,770,508	0.6%
Ground Handling	63,467,985	23.5%
Security Charges	22,848,454	8%
CUTE AND CUSS	3,976,029	1.5%
Infrastructure Fee	43,966,195	15.5%
SUB TOTAL	**278,082,114**	**100%**



NON AERONAUTICAL REVENUE	Revenue (K)	% Contribution
Fuel Throughput ,	2,789,326	10.1%
Advertising	4,886,292	17.8%
Kiosks	1,777,320	6.5%
Warehouses	4,062,204	14.8%
Restaurants	2,947,008	10.7%
Bars	385,603	1.4%
Office Rentals	2,648,693	9.6%
Car Parks	2,608,053	9.5%
Duty Free Shops	1,662,509	6.1%
Houses/Hangers	800,912	2.9%
Electricity/Water Recoveries	454,782	1.7%
Cell sites & Land Rentals	544,614	2.0%
Cold Room Concessions	1,906,149	-
		6.9%
Miscellaneous	**27,473,465**	**100%**

CARGO MOVEMENTS

During the period under review, 18,425 metric tons of cargo was handled predominantly through Kenneth Kaunda International Airport. This was (5.4%) less than the year 2014. 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 and vegetables to the Netherlands.

On a positive note, Ethiopian Airlines, South African airways, and Kenya Airways have maintained 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;

2015		CARGO	MAIL	TOTAL
	Unloaded	10,434	210	10,644
Jan-Dec	**Loaded**	6,214	32	6,246
	Transit	1,458	77	1,535
	Total	18,106	319	18,425
2014				
	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
	Unloaded	(2.5)%	12.3	(2.3)%
% Growth	**Loaded**	(9.7)%	10.3	(9.6)%
	Transit	(8.1)%	(13.5)%	(8.4)%
	Total	(5.6)%	4.6%	(5.4)%

SCHEDULED AIRLINES

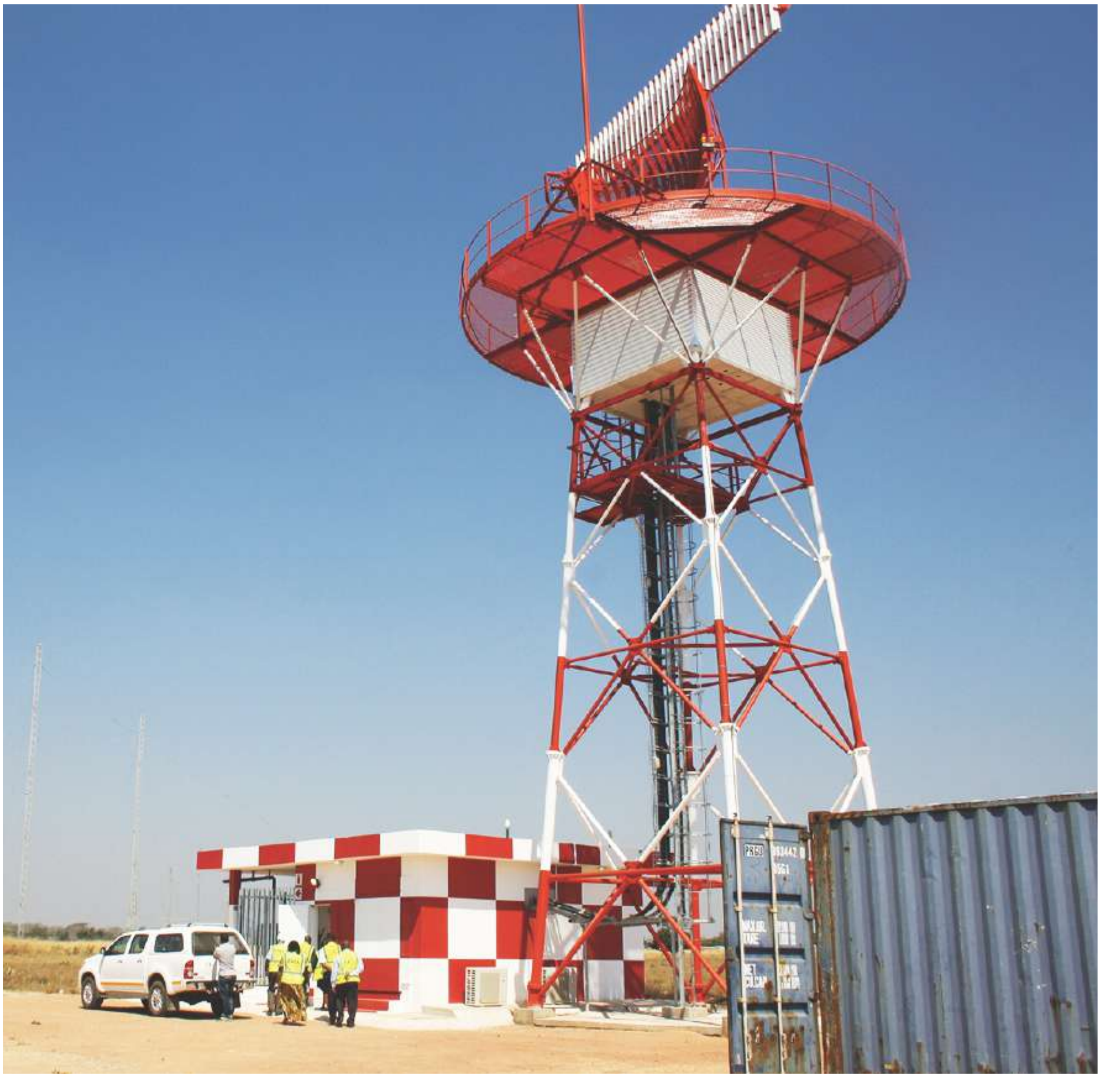
In the year under review the Airports were serviced by the following airlines

INTERNATIONAL	KKIA	HMNIA	SMKIA	MFUWE
South Africa Airways	✓	✓	✓	×
Kenya Airways	✓	✓	✓	×
South African Airlink	✓	✓	✓	×
BA-comair	×	✓	×	×
Rwandair	✓	×	×	×
Emirates Airlines	✓	×	×	×
Fly Africa	✓	×	×	×
Ethiopian Airlines	✓	×	×	×
South African Express	✓	×	×	×
Air Zimbabwe	✓	×	×	×
Malawian Airlines	✓	×	×	×
Fast Jet	×	×	×	×
Air Botsawana	✓	×	×	×
Air Namibia	✓	×	×	×
Angola Airlines	✓	×	×	×
Proflight	✓	✓	✓	✓

2.7 Airport Facilities

Kenneth Kaunda International Airport

Items	Description	Amount (ZMW)	Status
1.1	Rehabilitation of Control Tower	248,879.86	Completed
1.2	Rehabilitation of Toilets in the Mezzanine toilets	95,820.00	Completed
1.3	Upgrade of Airport Infrastructure	US$ 360Million	Work In progress
1.4	Runway Rubber Removal	US$ 446,200	Completed
1.5	Tiling, Ceiling Works & Renovations to Ablution Blocks at Line Maintenance offices	283,325.27	Completed



Harry Mwaanga Nkumbula International Airport

Items	Description	Amount (ZMW)	Status
1.	Construction of terminal 2	$30 million	work in progress

QUALITY MANAGEMENT

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

ZAMBIA BASED CHARTER OPERATORS

INTERNATIONAL	KKIA	HMNIA	SMKIA	MFUWE
PRO CHARTER	✓	✓	✓	×
STARAVIA	✓	×	✓	×
AVOCET	✓	×	✓	×
SKYTRAILS	×	✓	×	×
CORPORATE AIR	✓	×	✓	×
NGWAZI AIR CHARTERS	✓	×	✓	×
ROYAL AIR CHARTERS	✓	×	×	×

CARGO AIRLINES

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

RISK MANAGEMENT

Risk and Compliance Management Policy Statement

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

During the year under review, the Safety Health Environmental and Quality (SHEQ) team became fully operational with an added view of improving on the company's risk management profile. Risk will be managed within the framework set up within the current Five Year Strategic Plan (2012 – 2017).

ENVIRONMENT POLICY

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

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

2.8 Air Navigation Services Division

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 and are categorized as:

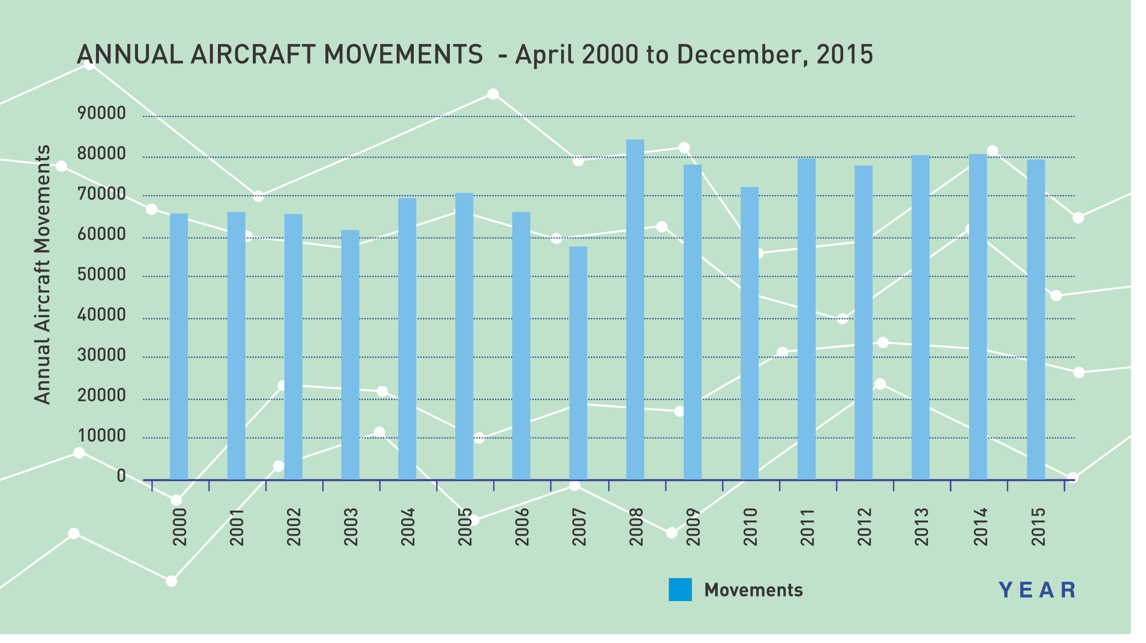
- Over-flights,
- International flights and,
- Domestic flights

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

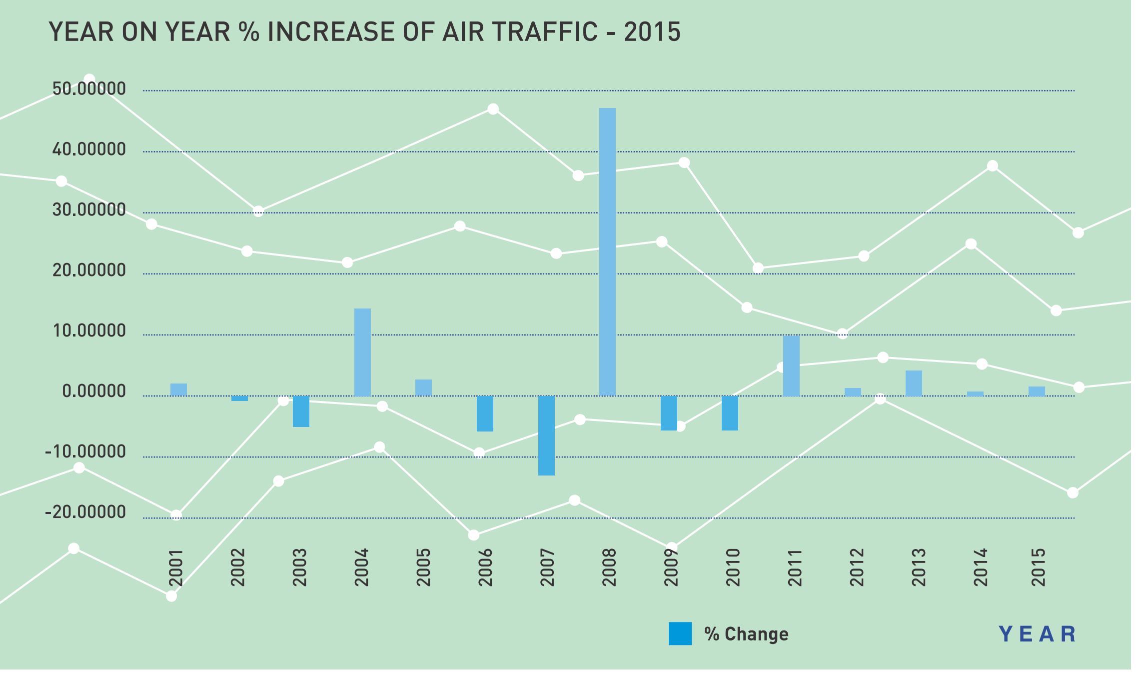
The break down by category of aircraft movements for the period under review is as follows:

CATEGORY	Jan -Dec, 2015	Jan -Dec, 2014	VARIANCE
Domestic flights	23,902	25,152	-1,250
International flights	21,495	19,945	1,550
Over-flights	15,897	18,579	-2,682
Others	15,872	14,691	1,181
Total	**77,166**	**78,367**	**-1,201**

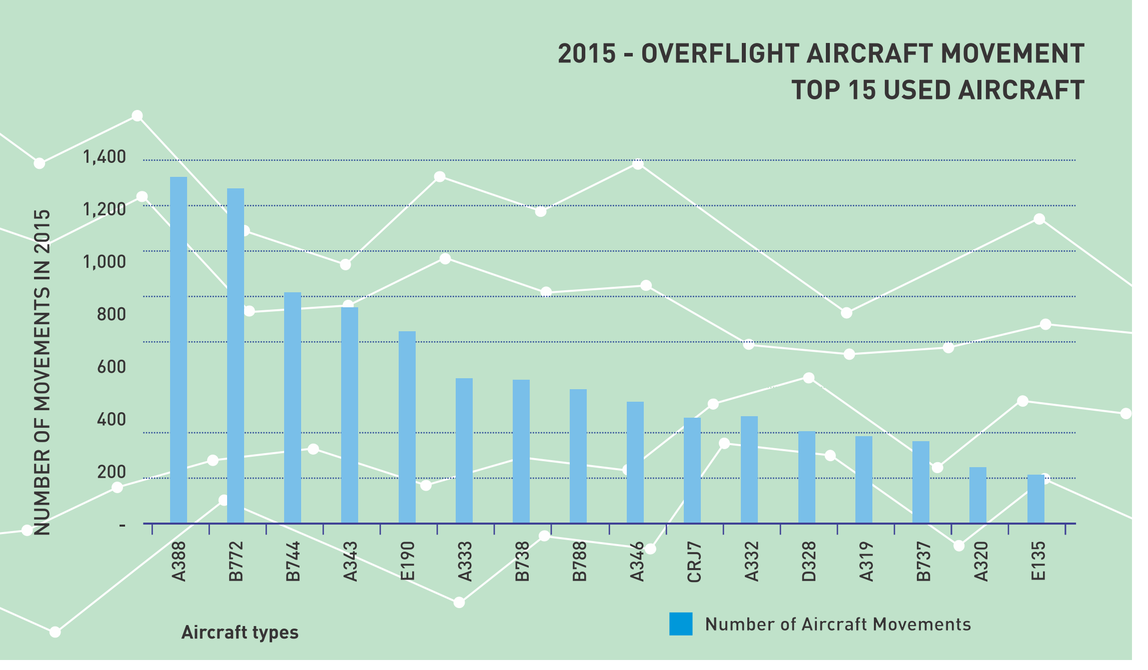
Aircraft Movement Progression Chart

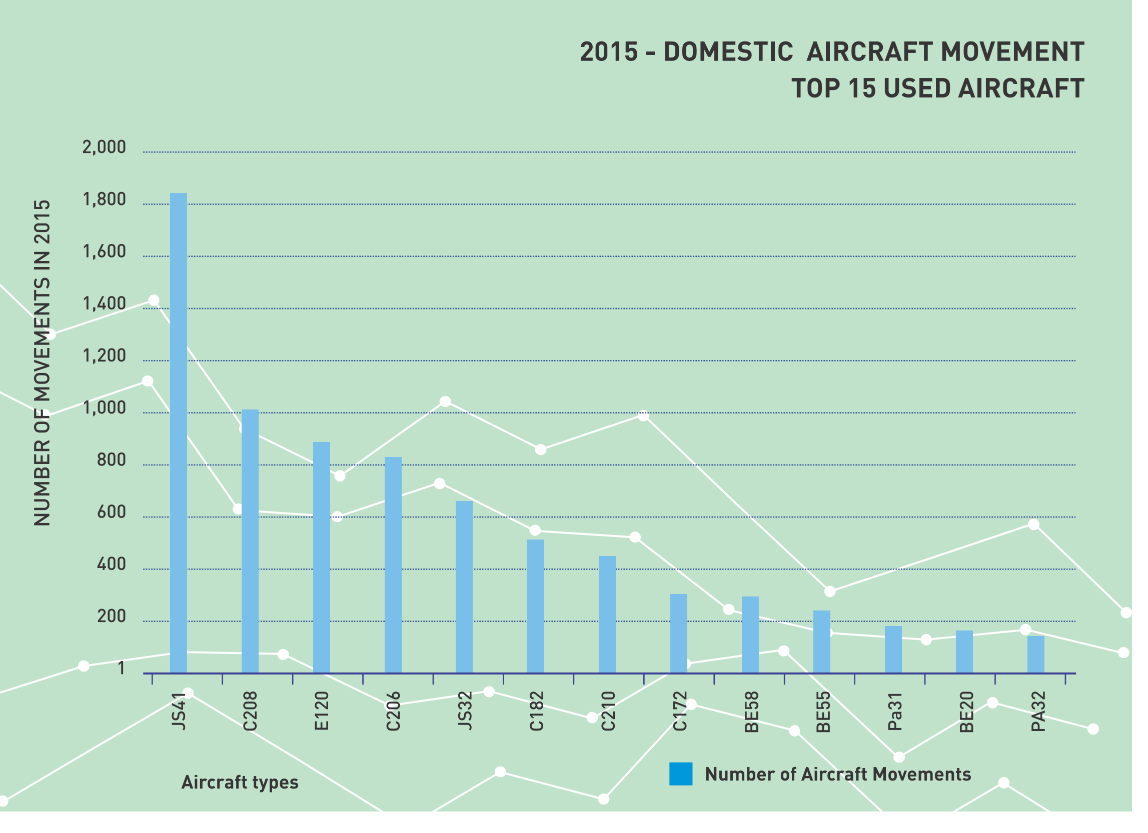


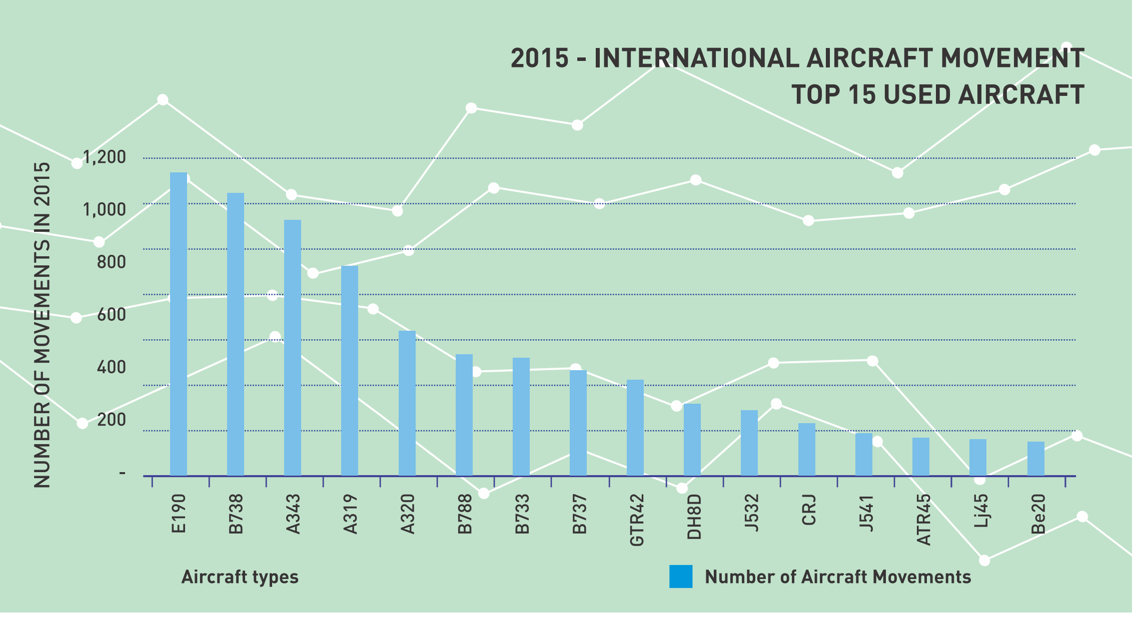
Percentage Increase of Air Traffic – Year on Year Chart – 2015



Average Increase of Air Traffic – Year on Year Chart





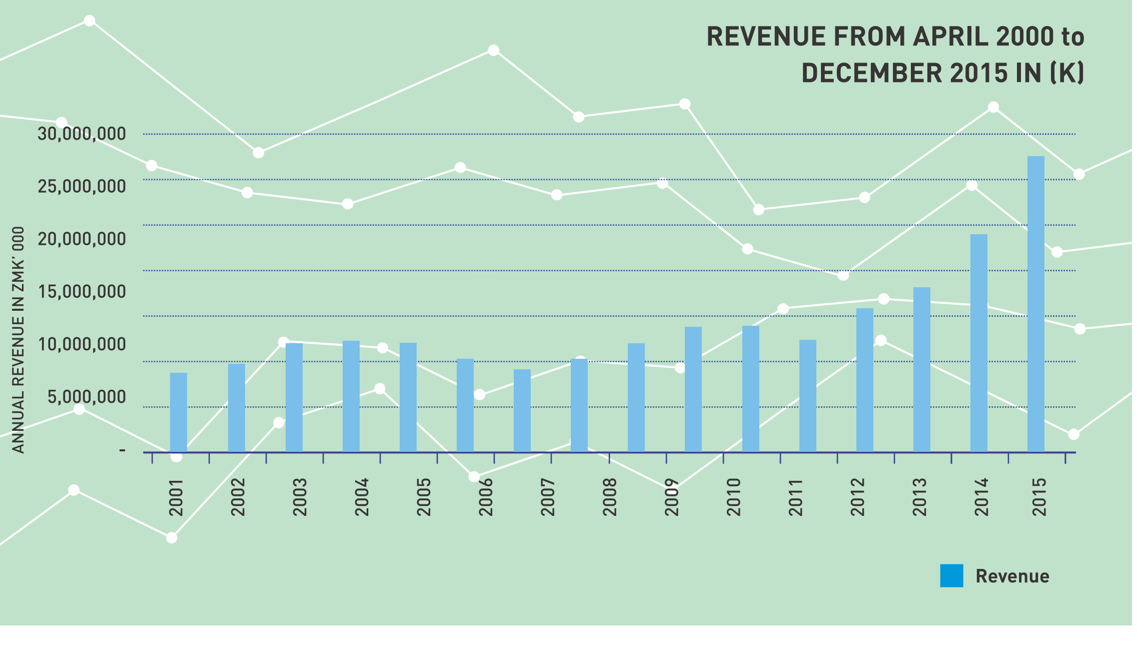


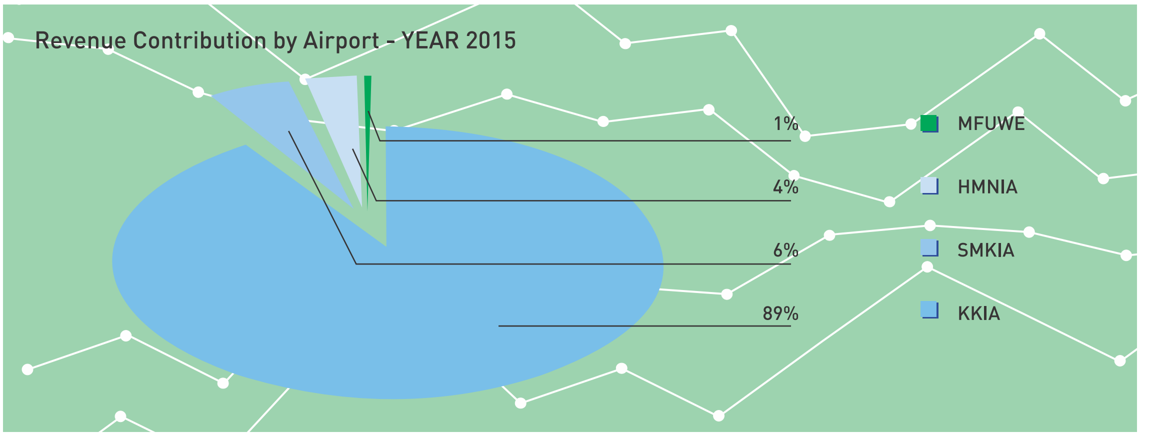
2.8.1 Revenue

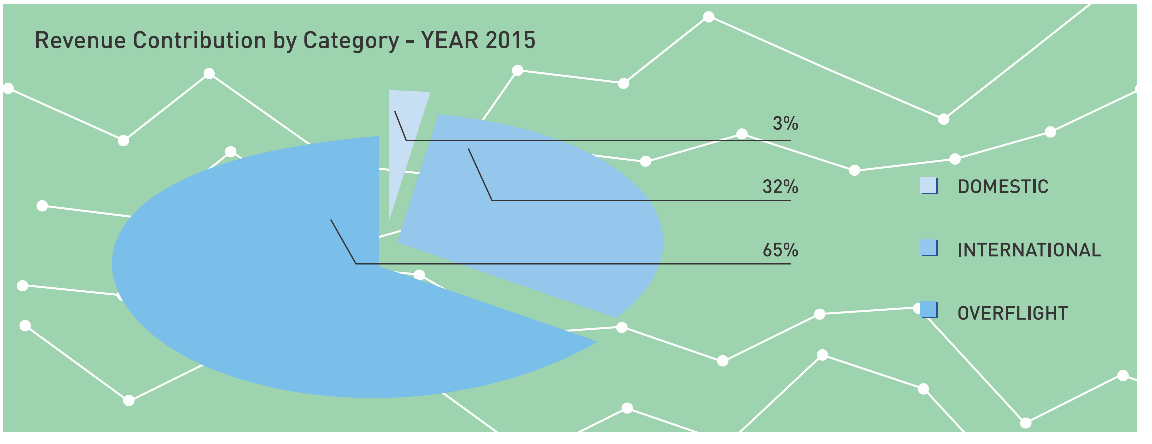
During the year under review total aircraft movements of 77,166 translated into reciprocal total air navigation revenue generation amounting to K 29.79 million. The amount represented an increase of 51 % from K19.77 million achieved in 2014.

This performance was largely attributed to the introduction of new charges coupled with the depreciation of kwacha against the US Dollar.

Revenue Progression Charts







The revenue contributions by category and percentage are as follows:

65% over-flights, 32% International Navigation and 3 % Domestic Navigation. The revenue contribution by category in 2014 was 78% overflight, 21% international navigation and 1% domestic navigation indicating a reduction in overflights but with a slight growth in both international and domestic categories.

2.8.2 Projects - Air Navigation Service

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

Items	Project	Status
1.	ATM Rader System, replacement of Very High Frequency Aerodrome radio & control equipment.	Completed
2.	Implementation of Aeronautical Telecommunication Network project, Wide Area Network	Still in progress
3.	Implementation of Global Navigation Satellite Systems at SMKIA and Mfuwe	Under way
4.	Airspace Master Plan Study of Lusaka Flight Information Region	Still in progress
5.	Automated Weather Observatory Station	Under way

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

2.9 Human Resources

HUMAN RESOURCES REPORT FOR PERIOD END DECEMBER 2015

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

2.9.1 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	14	0	3	3	1	0	21	21
APS	13	325	113	102	28	0	581	623
ANS	16	68	16	15	10	10	135	139
HR	16	0	2	3	1	0	22	25
Legal	18	2	4	4	0	0	28	28
TOTAL	**92**	**395**	**138**	**127**	**40**	**10**	**802**	**851**

The staff headcount for the period ending 31 December 2015 was eight hundred and two (802) against approved establishment of eight hundred and fifty one (851) as tabulated above.

A total number of thirty four (34) new employees were engaged during the year to fill up vacant positions in critical areas of operations. Twenty eight (28) employees were engaged on permanent and pensionable terms and six (6) employees on Fixed Term Contract basis.

2.9.2 Labour Turnover

The Corporation recorded forty four (44) separations during the year under review which included twenty (20) resignations, twelve (12) normal retirement, one (1) death, eight (8) dismissals, two (2) medical discharge and one (1) expiry of contract.

2.9.7 Retirees Benefits

The Corporation owed 24 ex-staff who left employment in 2014 and 2015, their in-house retirement benefits amounting to about K4million.

2.9.8 Zacl Pension Scheme

The Corporation continued to operate two pension schemes managed by Madison Life Insurance Company Zambia Limited and ZSIC Life Limited. Management commenced the process of merging the two schemes. The Corporation also fully funded the outstanding deficit on the closed ZSIC Life Defined Benefit Scheme.

2.9.9 Hiv/aids And Wellness Program

The Corporation continued to provide support for the HIV/AIDS policy through the 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 HIV/AIDS related conditions.

The number of staff and spouses benefiting from the scheme in terms of anti-retroviral therapy and counselling remained unchanged at 20 from the previous financial year.

The Corporation plans to transform the HIV/AIDS scheme into that of Employee Wellness Program from 2016 onwards so that the focus is all-inclusive of other life threatening terminal ailments affecting employees.

2.9.3 Training And Development

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

The Corporation continued to support employees to attain higher qualifications and skills at colleges and universities in relevant areas of the business operation. The Corporation also trained a total of 1,134 employees both locally and abroad in the following key areas of operations:

Type of Course	No. Program	Participants
Technical	06	27
Operational	55	1,047
Management	14	45
QMS	01	15

2.9.4 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.

2.9.5 2015 Collective Bargaining

Management and the two unions (AAWUZA and NUAAW) concluded negotiations for improved salaries and new conditions of service for 2015. The unionized employees were awarded 10% increment on basic salaries and 10% on housing allowance.

2.9.6 Labour Day

ZACL joined the rest of the world in commemorating Labour Day on 1st May 2015. In appreciation for the dedicated long service rendered to the Corporation, twenty three (23) employees who had clocked ten (10) years of unbroken service and thirty two (32) who had clocked twenty (20) years of unbroken service were awarded with long service certificates and cash awards.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Corporation Limited
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Corporation Limited

3.0 Corporate Financial Results

REVENUE

The Corporation turnover in the year under review was K332 million compared to the previous year ending December 2014 of K226 million, this was 46% 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. 2015 ZMW	Dec. 2014 ZMW	Percentage
Passenger Service Charge	102,990,823	74,615,885	38
Aircraft Landing Fees	38,062,120	25,449,230	50
Ground Handling Fees	63,467,985	37,248,282	70
Aviation Security charge	22,848,454	16,129,939	42
Aircraft Parking	2,770,508	1,874,640	48
Aviation Infrastructure fees	43,966,195	31,188,004	41
CUTE AND CUSS	3,976,029	2,852,462	39
Other	24,567,919	17,840,557	38
Total	**302,650,033**	**207,198,999**	**46**
AIR NAVIGATION			
Over flights	19,399,561	13,943,598	39
Navigation fees	10,393,605	5,822,454	78
Others	-	-	
Total	**29,793,166**	**19,766,052**	**51**
Grand Total	**332,443,199**	**226,965,051**	**46**
Average exchange rate	11.010	6.160	78
Year End rates	11.210	6.400	75

Table 2: Expenses

EXPENSES	Dec. 2015 ZMW	Dec. 2014 ZMW	Percentage
Personnel	124,468,843	110,426,275	13
Depreciation	41,092,639	35,553,329	16
Finance costs	18,918,003	12,607,750	33
Other costs	110,601,336	57,024,481	94
TOTAL	**295,080,821**	**215,611,835**	**37**
Profit/(loss) before Tax & exchange gain/(loss)	45,775,692	19,665,607	133
Tax	(36,348,832)	(9,439,084)	251
Exchange gain/(loss)	(23,656,518)	(10,359,264)	151
Profit after Tax and exchange gain/(loss)	**22,119,174**	**(132,741)**	**166**

EXPENDITURE

The total expenditure in the year under review was 37% above last year due to the rise in prices.

Operating Turnover by airport

Airport Services	Dec. 2015 ZMW	Dec. 2014 ZMW	Percentage
KKIA	220,920,884	150,321,824	**47**
SMKIA	41,660,353	28,299,067	**47**
HMNIA	35,517,879	26,107,460	**36**
Mfuwe	4,550,917	2,470,648	**84**
Air Navigation income	**29,793,166**	**19,766,052**	**51**
Exchange loss	**(36,348,832)**	**(10,359,264)**	**(251)**
	332,443,199	**226,965,051**	**46**

The Corporation recorded a profit of K22.119million after taking into account income tax of K23.656million.

4.0 The Board And Management

4.1 Board Members

During the year, the Board consisted of the following:-

1. **Ms Mubanga Musakanya**
   Chairperson

2. **Mr Robinson Misitala**
   Managing Director

3. **Mr Lazarous Chota**
   Vice Chairperson

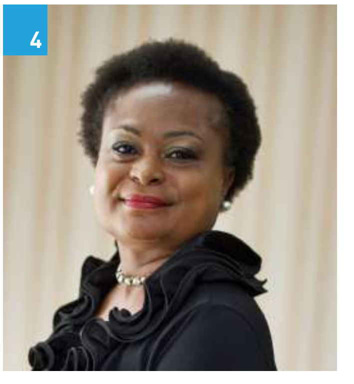
4. **Ms Kutemba Konga**
   Member

5. **Mr Boniface Njovu**
   Member

6. **Dr Muyenga Atanga**
   Member

7. **Mr Felix Nkulukusa**
   Member

8. **Ms Maggie B. Kaunda**
   Corporation Secretary



4.2 Management

During the year, management consisted of the following:-

1. **Mr Robinson Misitala**
   Managing Director

2. **Mr Frank Chinambu**
   Director. Air Navigation Services

3. **Mr Prince Chintimbwe**
   Director Airport Services

4. **Mr Tapiwa Chikumbu**
   Finance Director

5. **Mr Gilford Malenji**
   Director Human Resources

6. **Ms Maggie B. Kaunda**
   Corporation Secretary

4.3 Airport Managers

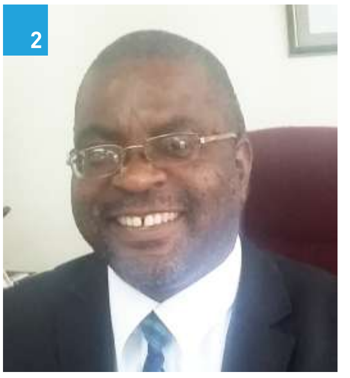
During the year, Airport Managers were as follows:

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

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

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

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



Zambia AIRPORTS Corporation Limited

FINANCIAL STATEMENT

For the year ending 31 December 2015

DIRECTORS' REPORT
For the year ended 31 December 2015

The directors submit their report and audited financial statements for the Year ended 31 December 2015.

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. **Principle activities**
The Corporation's principle 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:

	2015 K	2014 K
Operating revenue	**332,443,199**	**226,965,051**
Profit before tax	**45,775,692**	**9,306,343**
Income tax expense	**(23,656,518**	**(9,439,084)**
Profit for the year/period	**22,119,174**	**(132,741)**

The Corporation achieved revenue of K332 million during the twelve months compared to K227million for the previous twelve months, operating costs during the period amounted to K295 million (2014 – K213 million) resulting into a profit before tax of K45.7 million (2014– K9.3 million) after taking into account other income and other charges.

5. **Dividends**

The Corporation made a profit after tax of K22,119,174 for the year ended 31 December 2015. In the light of the above; the directors recommend a dividend of K3.5million for the year ended 31 December 2015. The balance of retained earnings will be reinvested in the operations of the Corporation.

6. **Directors and secretary**

The Directors and secretary who served during the year were:

Ms Mubanga Musakanya - Chairperson
Mr Robinson Misitala - Managing Director
Mr Charles Sipanje - Member
Ms Kutemba Konga - Member
Mr Lazarous Chota - Member
Mr Boniface Njovu - Member
Mr Felix Nkulukusa - Member
Dr Ronald Simwinga - Member (Replacement of Mr. F. Nkulukusa)

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 802 full time employees at the year end (31 December 2014 – 804) and total salaries and wages were K125 million for the Year ended 31 December 2015 (December 2014 – K110 million). The average number of employees in each month of the year was:

January 2015	801
February 2015	800
March 2015	804
April 2015	806
May 2015	804
June 2015	800
July 2015	804
August 2015	805
September 2015	806
October 2015	805
November 2015	803
December 2015	802

9. Gifts and donations

The Corporation made donations of K851,452 during the year (December 2014 – K287,758).

10. Property, plant and equipment

Additions to property, plant and equipment totalling K41 million were made during the year (31 December 2014 – K31 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 43 to 68 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 2015

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	**Robinson Misitala**
Chairperson	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
Chartered Accountants
Ernst & Young

Henry C Nondo
Partner, Practising Certificate Number 0000601
HCNondo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year ended 31 December 2015

	Note	12 months to 31 December 2015 ZMW	12 months to 31 December 2014 ZMW
Revenue	7	**332,443,199**	226,965,051
Expenditure			
Depreciation		**(41,092,639)**	(35,553,329)
Employee costs		**(124,468,843)**	(110,426,275)
Other operating expenses		**(110,601,337)**	(67,383,745)
		56,280,380	13,601,702
Other income		**8,400,717**	8,279,952
Profit from operations		**64,681,097**	21,881,654
Net exchange gains			-
Fair value adjustment			-
Finance costs		**(18,918,003)**	(12,607,750)
Finance income		**12,598**	32,439
Profit before tax	8	**45,775,692**	9,306,343
Income tax expense	9(a)	**(23,656,518)**	(9,439,084)
Profit for the year		**22,119,174**	(132,741)
Other comprehensive income			-
Total comprehensive income		**22,119,174**	(132,741)

The notes on pages 11 to 37 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
for the Year ended 31 December 2015

	Share Capital ZMW	Amount received pending allotment ZMW	Revaluation reserves ZMW	Accumulated loss ZMW	Total ZMW
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**
Total comprehensive Profit	-	-		22,119,174	22,119,174
Deferred Tax on revaluation	-	-	(52,866,920)	778,986	778,991
Transfer			(7,640,483)	7,640,483	(52,866,920)
At 31 December 2015	**16,458,500**	**13,928,678**	**104,622,592**	**21,848,214**	**156,857,984**

STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	2015 ZMW	2014 ZMW
ASSETS	**Note**		
Non-current assets			
Property, plant and equipment	**10**	**582,968,085**	582,497,534
Financial assets at fair value			
through profit and loss	**11**	**1,710,761**	1,710,761
		584,678,846	584,208,295
Current assets			
Inventories	12	**2,158,221**	1,864,230
Trade and other receivables	13	**143,016,338**	66,751,093
Held to maturity financial assets	14	**104,569**	101,201
Cash and cash equivalents	15	**40,682,407**	15,098,318
		185,961,535	83,814,842
Total assets		**770,640,381**	668,023,137
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		**104,622,592**	165,129,995
Accumulated profit (losses)		**21,848,214**	(7,911,443)
		156,857,984	187,605,730
Non-current liabilities			
Capital grants	17	**106,547,227**	111,776,315
Long-term loans	18	**159,682,207**	94,837,534
Deferred income tax	9(e)	**157,489,517**	104,622,597
Obligations under finance leases	19	**2,544,593**	-
Deferred liability	20	**70,673,590**	78,209,074
		496,937,134	389,445,520
Current liabilities			
Short term portion of long-term loans	18	**44,785,647**	26,960,449
Obligations under finance leases	19	**3,711,186**	1,795,630
Trade and other payables	21	**16,563,373**	36,468,847
Income tax payable	9(c)	**38,191,836**	15,585,318
Bank overdraft	15	**402,821**	1,041,640
Deferred liability	20	**13,190,400**	9,120,000
		116,845,263	90,971,887
Total equity and liabilities		**770,640,381**	668,023,137

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 2015

	2015 ZMW	2014 ZMW
Cash inflow from operating activities		
Profit before tax	**45,775,692**	9,306,343
Profit on disposal of property, plant and equipment	**(152,992)**	(669,410)
Interest paid	**18,918,003**	12,607,750
Interest received	**(12,598)**	(32,439)
Unrealised exchange (gain)/losses on long term loans	**61,607,488**	10,396,545
Depreciation	**41,092,640**	35,553,329
Amortisation of capital grants	**(5,229,089)**	(5,229,089)
Increase in inventories	**293,991**	(653,510)
Decrease(/increase) in trade and other receivables	**(76,265,245)**	(14,944,578)
(Decrease)/increase in trade and other payables	**(19,905,473)**	(11,956,726)
(Decrease)/increase in deferred liability	**4,070,400**	(21,004)
Net cash flows from operating activities	**70,192,816**	34,357,214
Returns on investments and servicing of finance		
(Increase)/Decrease in held to maturity financial assets	**(3,368)**	(6,131)
Purchase of shares	**-**	(500,041)
Interest received	**12,598**	32,439
Interest paid	**(18,918,003)**	(12,607,750)
Net cash flows from/(used on) returns on investments and servicing of finance	**(18,908,773)**	(13,081,483)
Income tax paid	**1,050,000**	
		-
Investing activities		
Purchase of property, plant and equipment	**(41,563,191)**	
Proceeds on disposal of property, plant and equipment	**265,446**	(30,654,299)
Adjustment to property, plant and equipment	**-**	931,095
		6,988,267
Net cash flows used on investing activities	**(41,297,745)**	(22,734,940)
Financing activities		
Grants received	**-**	-
Long-term loan received	**55,512,108**	9,784,138
Finance lease received	**10,101,768**	2,076,652
Finance lease repaid	**(5,641,619)**	(3,913,437)
Repayment of loans	**(44,785,647)**	-
Net cash flows from financing activities	**15,186,610**	7,947,353
Movement in cash and cash equivalents		
Net cash flow	**26,222,908**	6,488,144
Cash and cash equivalents at beginning of the year	**14,056,678**	7,568,534
Cash and cash equivalents at end of the year	**40,279,586**	14,056,678

NOTES TO THE FINANCIAL STATEMENTS
for the Year ended 31 December 2015

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:
    - o the normal course of business;
    - o the event of default; and
    - o 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.

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.

(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.

4.15 Employee benefits

(i) Pension obligations

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

(ii) Termination benefits

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

4.16 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.

4.17 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.

	2015 ZMW	2014 ZMW
Over flight fees	19,399,561	13,943,598
Navigation fees	10,393,605	5,822,454
Passenger fees	102,990,823	74,615,885
Security charges	22,848,454	16,129,939
CUTE and CUSS	3,976,029	2,852,462
Landing fees	43,966,195	25,449,230
Parking fees	2,770,508	1,874,640
Fuel through put fees	2,789,326	2,937,364
Car park	2,608,053	1,945,267
Ground handling	63,467,985	37,248,282
Excess baggage	0	38,623
Rentals	19,170,541	12,919,303
Aviation infrastructure fees	43,966,195	31,188,004
	332,443,199	226,965,051

8. Profit before tax

Profit before tax is stated after charging:	2015 ZMW	2014 ZMW
Auditors' remuneration	573,071	381,117
Depreciation	41,092,639	35,553,329
Directors' fees and expenses	1,357,840	880,986
Interest paid	18,918,003	12,607,750
and after crediting: Interest received	12,598	32,439

9. Income tax expense

	2015 ZMW	2014 ZMW
a. Recognised in the statement of comprehensive	22,835,693	8,026,601
Income tax on normal income	820,825	1,412,483
Income tax on taxable other income	-	-
Deferred income tax (note 9(e)		-
	23,66656,518	9,439,084

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:

	2015 ZMW	2014 ZMW
Tax at 35% on profit before tax	16,021,492	3,104,655
Non deductible expenses	5,034,393	1,898,962
Movement in revaluation reserves	(2,674,169)	(2,674,169)
Prior year under/(over) provision	(862,762)	(1,742,270)
Deferred tax asset not recognised	4,412,040	8,851,906
	23,656,518	9,439,084

c. **Income tax payable**

	2015 ZMW	2014 ZMW
Tax payable at beginning of year	15,585,318	6,146,234
Charge for the year (note 9(a))	23,656,518	9,439,084
Taxation paid	(1,050,000)	-
Taxation payable at end of year	38,191,836	15,585,3184

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 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)	-
Disposals	-	(2,533,888)	(172,752)	-	(2,706,640
Adjustment			(6,988,267)	-	(6,988,267)
At 31 December 2014	**563,869,420**	**12,702,310**	**200,669,107**	**8,276,781**	**785,517,618**
Additions		3,885,298	7,562,761	30,115,132	41,563,191
Transfers	17,857,322	-	1,153,774	(19,011,096)	-
Disposals	-	(751,040)	-		(751,040)
Adjustment					
At 31 December 2015	**581,726,742**	**15,836,568**	**209,385,642**	**19,380,817**	**826,329,769**
At valuation	404,660,000	-	-	-	404,660,000
At cost	177,066,742	15,836,568	209,385,642	19,380,817	422,640,812
	581,726,742	15,836,568	209,385,642	19,380,817	826,329,769
Depreciation					
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	-	-	-	-	-
At 31 December 2014	**73,056,845**	**7,490,766**	**122,472,473**	-	**203,020,084**
Charge for the year	17,406,538	4,416,860	19,269,239	-	41,092,636
Disposals	-	(751,040)	-	-	(751,040)
At 31 December 2015	**90,463,384**	**11,156,586**	**141,741,712**	-	**243,361,681**
Net book value					
At 31 December 2015	**491,263,358**	**4,679,982**	**67,643,930**	**19,380,817**	**583,188,088**
At 31 December 2014	**490,812,575**	**5,211,544**	**78,196,634**	**8,276,781**	**582,497,534**

(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.

(c) 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

	2015 ZMW	2014 ZMW
	2015 K	2014 K
ZEGA Limited. - 10% interest	1,710,761	1,710,761
	-	-
	1,710,761	1,710,761

12. Inventories

Consumable stores	2,158,221	1,864,230

13. Trade and other receivables

Trade debtors	178,658,240	97,193,090
Less: provision for impairment losses	(48,096,830)	(40,582,784)
	130,561,410	56,610,306
Staff loans and advances	5,306,781	3,797,697
Deposits and prepayments	7,875,258	6,343,090
	143,016,338	66,751,093

14. Held to maturity financial assets

Intermarket Discount House	-	-
Finance Bank	-	-
Banc ABC	-	-
Finance Building Society	104,569	101,201
	104,569	101,201

15. Cash and cash equivalents

Cash in hand and at bank (note (a))	40,682,407	15,098,318
Bank overdrafts (note (b))	(402,821)	(1,041,640)
	40,279,586	14,056,678

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

	2015 ZMW	2014 ZMW
KBC Bank NV (note (i))	-	-
Other bank balances	40,672,717	15,073,575
Cash in hand	9,690	13,405
	40,682,407	15,086,980

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

b. **Bank overdrafts**

Bank overdrafts	401,658	243,265
Stanbic	-	683,725
Barclays Bank	1,163	114,650
Zambia National Commercial Bank Plc		
	402,821	1,041,640

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	111,776,316	117,005,404
Additions during the year	-	-
Amortisation during the year	(5,229,089)	(5,229,089)
At the end of the year	106,547,227	111,776,315

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

18. Long-term loans

	2015 ZMW	2014 ZMW
Zambia National Commercial Bank		
Loan (1)	20,723,866	19,988,588
Loan (2)	16,047,085	11,725,362
Loan (3)	107,595,763	71,823,983
Loan (4)	28,704,147	18,260,050
Loan (5)	31,396,993	-
Balance at the year end	204,467,854	121,797,983
Portion repayable within next 12 months	44,785,647	26,960,449
Portion repayable after 12 months	159,682,207	94,837,534
	204,467,854	121,797,983

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

	2015	2014
At beginning of the year	1,795,630	3,632,414
Additions during the year	10,101,768	2,076,653
Repayments during the year	(5,641,619)	(3,913,437)
At end of the year	6,255,779	1,795,630
Repayable within next 12 months	3,711,186	1,795,630
Repayable after 12 months	2,544,593	
	6,255,779	1,795,630

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

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.

	2015 ZMW	2014 ZMW
At beginning of the year	87,329,074	87,350,078
Interest	10,725,410	9,210,531
Payments	(14,200,492)	(9,231,536)
	83,863,990	87,329,074
Repayable within next 12 months	13,190,400	9,120,000
Repayable after 12 months	70,673,590	78,209,074
	83,863,990	78,209,074

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	3,432,723	3,310,775
Interest on discontinued defined benefit liability scheme	10,725,410	9,210,531
	14,158,133	12,521,305

21. Trade and other payables

Trade creditors	7,153,821	22,149,269
Accruals	6,360,050	7,335,448
Other creditors and provisions	3,049,502	6,984,130
	16,563,373	36,468,847

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

	2015 ZMW	2014 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

		2015 ZMW	2014 ZMW
		0	0
(a)	Key management compensation	0	0
		0	0
	Salaries and other short term employee benefits	3,743,751	4,466,035
	Termination benefits	13,521,412	10,337,185
(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

[APPENDIX I]

for the year ending 31 December 2015

	12 months to 31 December 2015 ZMW	12 months to 31 December 2014 ZMW
Revenue	**332,443,199**	226,965,051
Other income		
Capital grants amortised	**5,229,089**	5,229,089
Sundry income	**3,171,628**	3,050,863
	8,400,717	12,207,911
Interest income	**12,598**	32,439
Exchange gains (net)	**-**	-
	12,598	32,439
	340,856,514	235,277,442
Less:		
Expenditure		
Depreciation	**41,092,639**	35,553,329
Employee costs		
Salaries and wages	**100,182,670**	90,834,755
Other staff costs	**24,286,173**	19,591,520
	124,468,843	110,426,275
Finance charges	**18,918,003**	12,607,750
Other operating expenses		
Printing & Stationary	**5,133,263**	1,792,401
Books & periodicals	**349,887**	198,591
Subscription - Company	**117,065**	321,668
Office expenses	**523,949**	75,876
Postage	**133,926**	232,258
Telephone & internet	**1,947,031**	1,559,272
Cleaning materials	**887,810**	403,325
Travel expenses - local	**2,870,828**	2,471,534
Travel expenses - foreign	**2,094,720**	2,129,972
Electricity	**2,696,622**	1,782,708
Water	**468,375**	270,288
Land rates	**1,260,034**	2,494,164
Hire of transport	**4,928,505**	3,159,514
Aviation security	**115,476**	530,220
Security expenses	**1,141,008**	893,005
Cargo & mail	**4,987,019**	4,535,630
Cleaning services	**2,206,553**	1,476,909
SITA charges	**8,042,696**	4,409,773
Insurance	**431,879**	396,620
Staff uniforms	**177,507**	85,345
Protective clothing	**597,361**	517,358
Carried forward	**41,111,514**	29,736,331

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPRENSIVE INCOME

[APPENDIX I]

for the year ending 31 December 2015

	12 months to 31 December 2015 ZMW	12 months to 31 December 2014 ZMW
Brought forward	41,111,514	29,736,331
Fire fighting form	204,250	-
Motor vehicle expenses	3,236,662	2,204,117
Repairs & maintenance	8,576,866	11,297,323
Consultancy	64,610	25,986
Legal	84,825	37,207
External audit fees	573,071	381,117
Directors fees and expenses	1,357,840	880,986
Entertainment	105,915	80,001
Marketing	309,008	20,831
Corporate promotions & Advertising	1,695,555	1,959,438
Donations	851,452	287,758
Tender Evaluation Expenses	121,627	110,710
Licencing	2,412	574
MCT/DCA/MET	839,335	734,893
VAT expenses	23,162	659,225
Sundry expenses	1,464,506	400,687
Bank charges	747,714	387,344
IATA charges	5,368,135	3,214,952
Bad debts provision	7,514,046	4,348,447
CANSO	-	256,553
Exchange loss	36,348,832	10,359,264
Total expenditure		
	110,601,336	67,383,745
Profit before tax	45,775,692	9,306,343

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