Zambia AIRPORTS Corporation Limited

2016 ANNUAL REPORT

VISION

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

MISSION

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

Financial Year ending 31 December 2016

FINANCIAL HIGHLIGHTS

	Dec 2016 K	Dec 2015 K	% Variation
Turnover	416,319,596	332,443,199	25
Other Income	17,508,920	8,413,315	08
Finance Charges	19,990,204	18,918,003	06
Profit/ (Loss) before tax	80,818,958	45,775,692	77
Cash & Cash Equivalents	44,926,923	40,279,586	12
Asset Capitalisation	57,476,283	30,654,299	87
Total Assets	768,435,295	739,576,378	04

TRAFFIC HIGHLIGHTS

	Dec 2016	Dec 2015	% Variation
Total Passenger Numbers	**1,622,263**	**1,586,516**	**2**
Domestic Passengers	274,344	295,608	(7)
International Passengers	1,347,919	1,290,908	4
Paying Passengers	**572,084**	**566,803**	**1**
Domestic Passenger	126,431	127,586	1
International Passenger	445,653	439,217	2
Total Aircraft Movements	**58,425**	**66,393**	**(12)**

BOARD CHAIRPERSONS STATEMENT

Summary

Despite the economic challenges encountered in 2016, the Corporation recorded a profit after tax of K41.4Million compared to K22.1Million in 2015. In terms of operating revenue, the Corporation recorded K416Million compared to K332Million in 2015. However, much of this revenue arose on account of the depreciation of the reporting currency.

1.1 OPERATIONAL RESULTS

It is with great pleasure that I present the Annual Report on the operations of Zambia Airports Corporation Limited for the year ended 31 December 2016. The report marks the end of the five years Strategic Plan 2011 to 2016, The main thrust of the strategic plan were:

- Improve income generation
- Modernization of infrastructure
- Rebranding of the Corporation
- Enhancement of operational efficiency

1. New income streams like scenic flight fees at Harry Mwanga Nkumbula International Airport have been introduced. When completed hotel and mall under construction at Kenneth Kaunda International Airport will equally enhance revenue generation.

2. Modernization of infrastructure was realised with the completion of the terminal 2 at Harry Mwanga Nkumbula International Airport. Construction of the KKIA terminal and related buildings is now 52% complete. Construction of the Copperbelt international airport has also started.

3. The Corporation has rebranded itself with the change of name from National Airports Coporation Ltd to Zambia Airports Coporation. A branding and communication manager was recruited and a lot of rebranding exercises have been done.

4. Operational efficiency and profitability has been achieved. The Corporation declared dividend in 2015, the first since inception.

   The Corporation recorded success on all counts.

   However; in terms of inflows of international passengers in the year, we only recorded a modest growth of 4.4% from 2015. The political uncertainties
   due to the Presidential and Parliamentary elections we had in August 2016 did not help matters. Having peacefully passed this phase, we expect visitor numbers to increase in the coming years.

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

The major driver of both income and expenses for aeronautical income is passenger and aircraft numbers. For 2016, the respective airports performed as follows;

INCOME HIGHLIGHTS

	Income 2016 K	Income 2015 K
Kenneth Kaunda International Airport	308,235,004	249,332,399
Simon Mwansa Kapwepwe International Airport	48,361,304	33 ,244,320
Harry Mwaanga Nkumbula International Airport	54,052,052	46,542,048
Mfuwe International Airport	5,671,236	3,324,432

PASSENGER TRAFFIC

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

YEAR	DESCRIPTION	NUMBERS	GROWTH
Dec 2016	Domestic Passengers	274,344	(7.2)%
Dec 2016	International Passengers	1,347,919	(4) %
	Total Passengers	**1,622,263**	
Dec 2015	Domestic Passengers	295,608	(-6)%
Dec 2015	International Passengers	1,290,908	(2.4)%
	Total Passengers	1,586,516	

A further analysis of Passenger numbers by Airport

	2016	2015
Kenneth Kaunda International Airport	1,147,422	1,127,705
Simon Mwansa Kapwepwe International Airport	237,384	255,223
Harry Mwaanga Nkumbula International Airport	209,480	175,388
Mfuwe International Airport	27,977	28,200

Passenger movement performance continues to be positive at KKIA and Harry Mwaanga Nkumbula International Airports..

These numbers were fueled by the following factors:

- Rwandair increased its frequency from six to daily flights from Kigali to Johannesburg via Lusaka with 5th Freedom traffic rights between Johannesburg and Lusaka.
- Kenya Airways introduced flights to Cape Town via Livingstone.
- Fastjet Airline reduced its frequencies from daily to three flights weekly.

There was an overall under-performance of paying passenger movements largely due to the apprehension by foreigners before and after elections in August 2016.

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 K416 million for the financial year ended December 2016 compared to K332 million for the year ending December 2015. After expenses of K355 million, this resulted into a profit after tax of K41Million compared to profit after tax of K22 million in the year ending December 2015

OPERATING INCOME	December 2016	December 2015
Airport Services	376,446,679	302,650,0333
Air Navigation Services	39,872,913	29,793,166
Other Income	21,232,124	8,400,717
TOTAL	437,551,716	340,843,916

EXPENSES	354,715,147	295,080,821
Tax	39,334,689	23,656,518
PROFIT /(LOSS) AFTER TAX	41,484,269	**22,119,174**

1.4 STRATEGIC FOCUS

Our strategic focus continues to be:

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

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.

(a) Main Board Meetings
Membership and attendance

Name	Meeting held	Meeting attended
Ms Mubanga Musakanya – Board Chairperson	6	6
Ms Kutemba Konga	6	6
Mr Lazarous Chota - Vice Chairperson	6	6
Mr Boniface Njovu	6	6
Dr Ronald Simwinga - Ministry of Finance	6	5
Eng. Misheck Lungu - PS Ministry Transport and Communication	6	5
Mr Robinson Misitala – MD ZACL	6	6

There were two Special Board Meetings held during the year.

(b) Appointments, Remuneration and Human Relations Committee Membership and attendance

Name	Meeting held	Meeting attended
Mr Lazarous Chota - Chairperson	6	6
Ms Namucana Musiwa	6	6
Mr Bannie Lombe	6	6
Mr Boniface Njovu	6	6
Mr Robinson Misitala - ZACL	6	6

There were two Special Committee meetings were held in the year under review.

(c) Finance and Capital Projects Committee Membership and attendance

Name	Meeting held	Meeting attended
Mr Nonny Mwanyungwi - Chairperson	6	6
Mr Michael Mbulo	6	6
Mr George Sitali	6	6
Mr Robinson Misitala – MD ZACL	6	6

There were two Special Committee meetings were held in the year under review.

(d) Audit, Risk and Compliance Committee Membership and attendance

Name	Meeting held	Meeting attended
Ms Kutemba Konga - Chairperson	5	5
Mr Joe M Chisanga	5	5
Mr George Ndongwe	5	5
Mr Stanford Mtamira	5	5

There was one Special Committee meeting held in the year under review.

1.6 CORPORATE SOCIAL RESPONSIBILITY

In the spirit of being a responsible corporate citizen, Zambia Airports Corporation Limited remains deeply committed to making a substantial and tangible impact in the communities in which it operates.

Our Corporate social responsibility is founded on the principle that our sustainable existence is made possible by the society in which we operate and therefore we have a responsibility to fulfill towards all stakeholders. Therefore, our programmes to achieve the corporate social responsibility are grouped in the following categories;

(a) Education

During the year under review, ZACL embarked on a partnership with the Zambia Association of Literacy. Illiteracy is one of Zambia's great challenges and this partnership will allow the Corporation to do our part in helping to eradicate this problem. As a Corporation, we embrace this partnership as this will help us reach many people who will benefit from this program by seeking to improve accessibility and availability of literacy services and materials by the promotion of reading, writing, speaking and listening.

(b) Health

The Corporation recognises the importance health plays in any society and is determined to do its part in preserving the wellbeing of the members of the communities in which we operate. The Mukosa Relatives Shelter which is located at the Chongwe District Hospital was officially handed over in February 2015 and more than a year later continues to be of great use to the relatives of patients being treated at the hospital. Prior to the construction of the shelter, which was 100 per cent sponsored by the Corporation, relatives would have difficulty finding lodging. Further, Zambia Airports Corporation Limited has entered into a partnership with Habitat for Humanity which will see the Corporation drill bore holes to provide clean drinking water to communities around the country. ZACL also continues to support numerous health initiatives.

(c) Orphans and Vulnerable Children

ZACL takes great pride in empowering the underprivileged in our society and have made concerted efforts to make a difference in the lives of children who live under desperate circumstances. Through our partnership with Habitat for Humanity, we aim to build new homes for orphans and vulnerable children and provide essentials to facilities and institutions looking after orphans and vulnerable children. The Corporation also arranges special Christmas visits to our airports with a number of treats in store for the children.

(d) Cultural event

The Corporation believes in safeguarding and preserving our rich cultural heritage and therefore is proud to be associated with the numerous rich traditional ceremonies. Zambia Airports Corporation Limited remains committed to investing in people and communities as well as positively impacting lives through our various initiatives.

1.7 FUTURE OUTLOOK

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 embarked on upgrading Kenneth Kaunda and Copperbelt International Airports. The Corporation will continue to invest more in modern Ground Handling equipment to position itself for new business.

MANAGING DIRECTORS REPORT

2. PRINCIPAL ACTIVITIES

I am delighted to report on the activities of Zambia Airports Corporation Limited for the year ending December 2016. The Corporation activities were focused on delivering our strategic objectives of:

- Improving income generation
- Modernization of infrastructure
- Rebranding of the Corporation
- Enhancement of operational efficiency

As alluded to in the Chairperson's report, these objectives were fully tackled in the year under review.

The Corporation recorded a profit before tax of K80.8Million and a profit after tax of K41.5Million this achievement could not have been possible without the commitment of my management team and the dedicated staff. Though there was some growth of 4% on the main activity from passenger numbers, the contributing factors to the growth in revenue was the depreciation of kwacha against other convertible currencies. Over 90% of the Corporation revenue is dollar denominated.

Summary

Last year the Corporation paid out its ever dividend of K3.5Million. We are proud to have continued on with the profitable results in the last 3 years. The Board has proposed a dividend of K5Million to the shareholders in 2016.

2.1 AIRPORT SERVICES DIVISION

The responsibilities of the Airport Services Division are as follows:

Sales and Marketing of the airport facilities and services. it is also responsible for business development to enhance revenue generation through aviation and non-aviation activities. Main activities are;

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

The Division's income is broken down into aeronautical revenue that is derived from tariffs consisting of aircraft landing, aircraft parking charges and Passenger Service Charge, Aviation Security and Infrastructure Development Fees, Ground handling services. Non-aeronautical revenue is derived from commercial activities that include car parking, retail operations, rentals, concessions, advertising and property leases.

2.2 BUSINESS ENVIRONMENT

Aeronautical revenue accounted for 90.71% of the company's performance for 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 of 4%

2.2.1 New Route Developments Business

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

Positive factors

- Kenya Airways introduced flights from Nairobi via Livingstone to Capetown with fifth Freedom traffic rights.
- Ethiopian Airlines introduced night flights to bring their total frequencies to 11 weekly at KKIA
- Rwandair increased flights from Kigali via Lusaka to Johannesburg.

Negative factors

- Rwandair reduced their flights during the year.
- Fastjet reduced flights from Lusaka to Dar Es Salam.
- Air Zimbabwe suspended their operations into Lusaka.
- Fastjet suspended their plans to introduce flights between Lusaka and Johannesburg and Livingstone and Johannesburg and shifted the operations to Zimbabwe.
- Air Namibia reduced the equipment size from an A319 to a CRJ

Below is a summary of passenger movement performance for 2016 compared to the year 2015.

2015						
	Domestic	168,969	62,765	39,065	24,809	295,608
Jan -Dec	International	958,736	192,458	136,323	3,391	1,290,908
	Total	1,127,705	255,223	175,388	28,200	1,586,516
2016		**KKIA**	**SMKIA**	**HMNIA**	**MFW**	**TOTAL**
Jan -Dec	Domestic	157,423	54,372	36,818	25,731	274,344
	International	989,999	183,012	172,662	2,246	1,347,919
	Total	1,147,422	237,384	209,480	27,977	1,622,263
% Growth						
	Domestic	(6.8)	(13.4)	(5.8)	3.7	(7.2)
	International	3.3	(4.9)	26.7	(33.8)	4.4
	Total	1.7	(7)	19.4	(0.8)	2.3

The general passenger movement for the period January to December, 2016 for all four airports; was 1,622,263 representing 2.3% growth over 2015 figures. This represents total domestic passenger numbers of 274,344 and 1,347,919 for international passenger movements signifying positive growth in international movements of 4.4% and negative growth in domestic movements of (7) % respectively.

Kenneth Kaunda International Airport and Harry Mwaanga Nkumbula International Airport recorded positive passenger movement performances of 1.7% and 19.4% respectively whilst Simon Mwansa Kapwepwe and Mfuwe International Airports recorded negative passenger movement performances of (9) % and (0.8)% respectively.

The respective airports passenger performance was as follows;

Airport	Passenger No.
Kenneth Kaunda International Airport	1,147,422
Simon Mwansa Kapwepwe International Airport	237,384
Harry Mwaanga Nkumbula International Airport	209,480
Mfuwe International Airport	27,977

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

Notable endogenous and exogenous factors that affected the Company's cyclical performance, both positively and negatively, in 2016 were;

Positive factors

- Rwandair increased frequency from six (6) weekly flights from Kigali to Johannesburg via Lusaka with a 5th Freedom traffic rights between Johannesburg and Lusaka to daily flights which now includes direct flights between Lusaka and Kigali

- Kenya Airways introduced flights to Cape Town via Livingstone.

- Zambia hosted a number of conferences such as AFDB Conference, Inter-Parliamentary Union conference and the Investment Forum among many other conferences

- Exchange rate gains were achieved in the period under review as the kwacha continued operating above the K9 barrier.

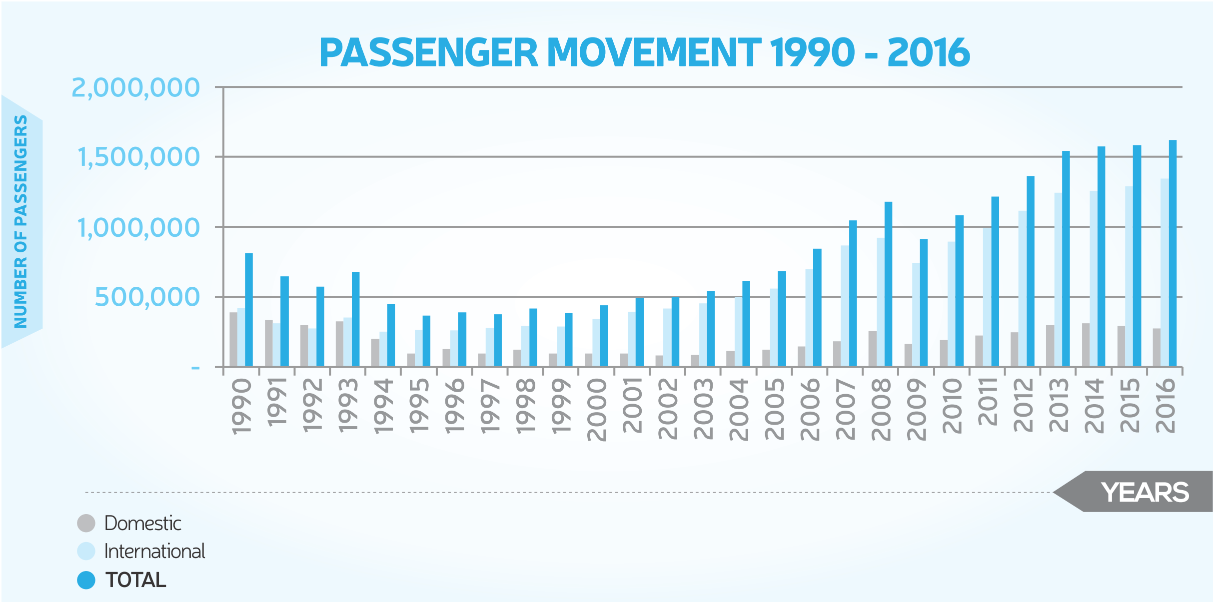
Negative factors

- Fastjet Airline reduced its frequencies from daily flights to three (3) flights weekly.

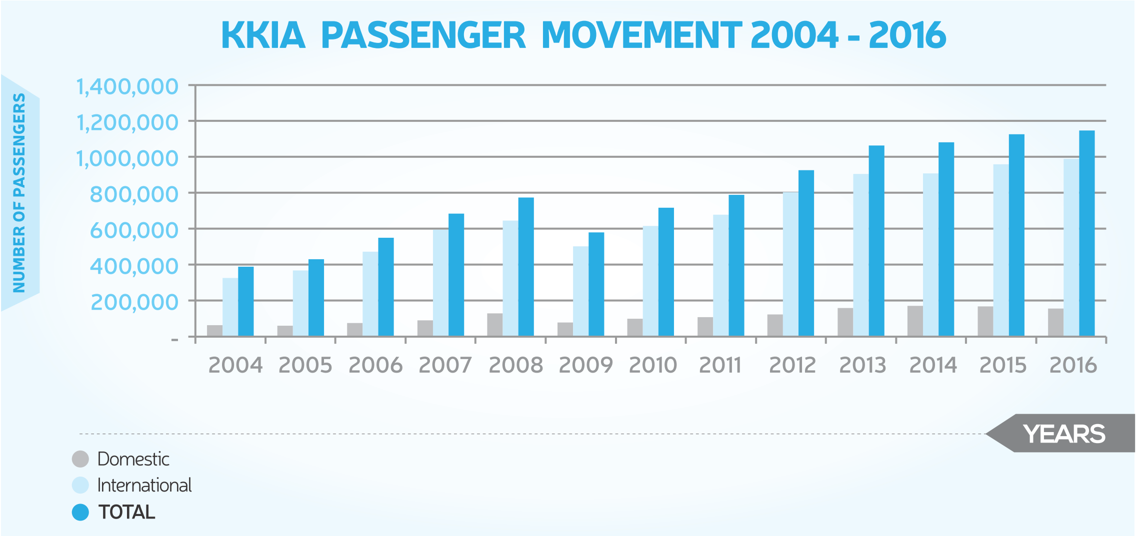
- There was an overall under-performance of paying passenger movements largely due to the Political apprehension environment leading to elections in August 2016 and post-election period.

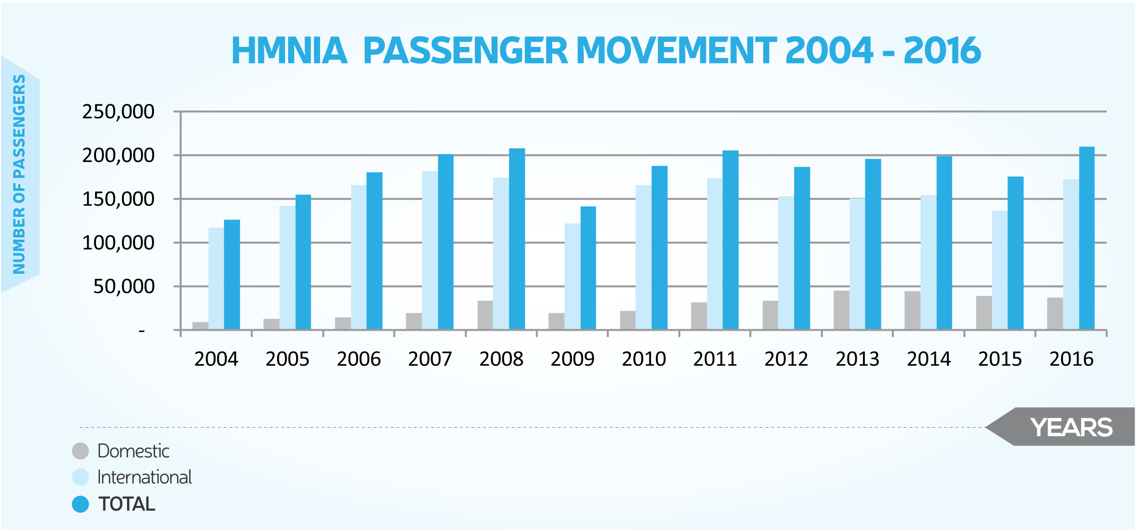
- Increased competition from Victoria Falls in Zimbabwe following the improvement of the political situation and the redevelopment of infrastructure.

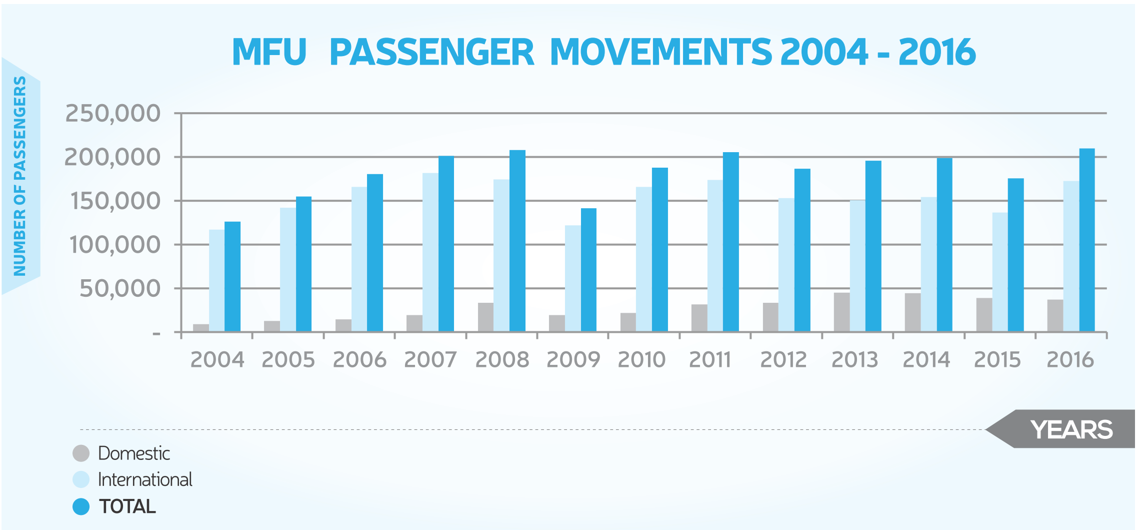
- Limited bed capacity in Mfuwe during peak seasons limiting our ability to market the servicing of this destination with bigger aircraft and more frequencies.



During the year 2016, the growth in the individual airports was distributed as follows: KKIA, International – 3.3%, Domestic – (6.83) %, Total – 1.8%; SMKIA, International – (4.9) %, Domestic – (13.4) %, Total – (7.0%); HMNIA, International – 26.7%,Domestic (5.8)%, Total – 19.4%; MFW, International – (33.8)%, Domestic – 3.7%, Total – (0.79)%. The tables and graphs below illustrate the trend analysis for the period, 2004 to 2015:


KKIA PASSENGER MOVEMENT 2004 - 2016
NUMBER OF PASSENGERS
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
YEARS
Domestic
International
TOTAL


HMNIA PASSENGER MOVEMENT 2004 - 2016
NUMBER OF PASSENGERS
250,000
200,000
150,000
100,000
50,000
-
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
YEARS
Domestic
International
TOTAL


MFU PASSENGER MOVEMENTS 2004 - 2016
NUMBER OF PASSENGERS
250,000
200,000
150,000
100,000
50,000
-
2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016
YEARS
Domestic
International
TOTAL

Paying Passenger Movements

The Corporation recorded a modest but positive growth of 0.93% when compared to the year 2015. This was largely due to positive growths recorded at HMNIA and SMKIA in domestic paying passenger performance and at MFW in both domestic and international paying passenger performance while KKIA saw negative growths in both categories and SMKIA recorded negative growth in the international category.

STATION	PASSENGER CATOGORY	2015 FINANCIAL YEAR				2016 FINANCIAL YEAR				COMPARED TO LAST YEAR	
		ACT	BUD	VAR	% DIFF	ACT	BUD	VAR	% DIFF	GROWTH	% DIFF
KKIA	Dom	69,528	85,330	(15,802)	(22.73)%	68,546	73,745	(5,199)	(7.58)%	(982)	(1.41)%
	Int.	312,531	330,332	(17,801)	(5.70)%	312,413	321,902	(9,489)	(3.04)%	(118	(0.04)%
SUB TOTAL		**382,059**	**415,662**	**(33,603)**	**(8.80)%**	**380,959**	**395,647**	**(14,688)**	**(3.86)%**	**(1,100)**	**(0.29)%**
SMKIA	Dom	26,165	39,952	(13,787)	(52.69)%	26,347	28,283	(1,936)	(7.35)%	182	0.70%
	Int.	57,714	59,520	(1,806)	(3.13)%	51,189	61,954	(10,765)	(21.03)%	(6,525)	(11.31)%
SUB TOTAL		**83,879**	**99,472**	**(15,593)**	**(18.59)%**	**77,536**	**90,236**	**(12,700)**	**(16.38)%**	**(6,343)**	**(7.56)%**
HMNIA	Dom	19,216	22,667	(3,451)	(17.96)%	18,792	20,775	(1,983)	(10.55)%	(424)	(2.21)%
	Int.	67,973	77,089	(9,116)	(13.41)%	81,045	68,050	12,995	16.03%	13,072	19.23%
SUB TOTAL		**87,189**	**99,756**	**(12,567)**	**(14.41)%**	**99,837**	**88,825**	**11,012**	**11.03%**	**12,648**	**14.51%**
MFUWE	Dom	12,677	10834	1,843	14.54%	12,746	12,832	(86)	(0.67)%	69	0.54%
	Int.	999	1175	(176)	(17.62)%	1006	938	68.48	6.81%	7	0.70%
SUB TOTAL		**13,676**	**12,009**	**1,667**	**12.19%**	**13,752**	**13,769**	**(17)**	**(0.13)%**	**76**	**0.56%**
CONSOLIDATED	Dom	127,586	158,783	(31,197)	(24.45)%	126,431	135,634	(9,203)	(7.28)%	(1,155)	(0.91)%
	Int.	439,217	468,116	(28,899)	(6.58)%	445,653	452,844	(7,191)	(1.61)%	6,436	1.47%
GRAND TOTAL		**566,803**	**626,899**	**(60,096)**	**(10.60)%**	**572,084**	**588,478**	**(16,394)**	**(2.87)%**	**5,281**	**0.93%**

2.3 AIRCRAFT MOVEMENT

During the period, the Corporation recorded total aircraft movements of 58,425 compared to 66,393 in 2015 giving us a (12) % negative growth. The performance by airport was:

Airports	Aircraft movement
KKIA	36,102
SMKIA	9,483
HMNIA	9,985
MFuwe	2,855

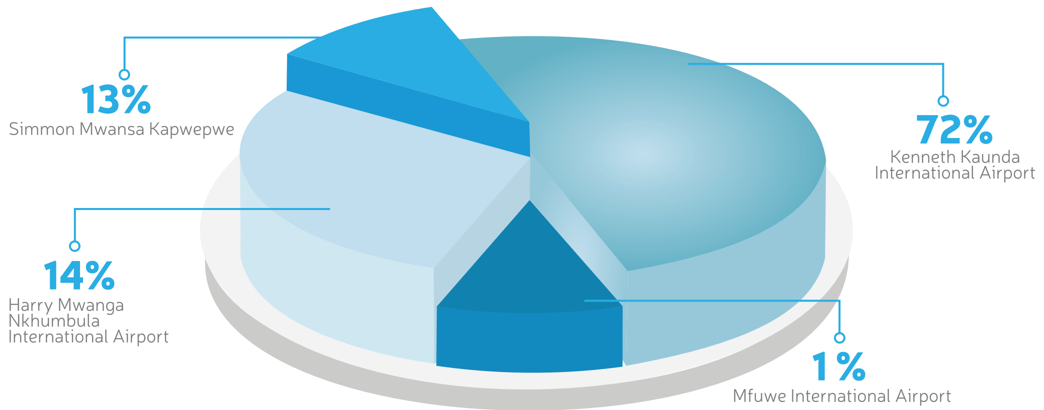
All airports recorded negative growth on aircraft movements (See table below).

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

2.4 TOTAL REVENUE CONTRIBUTION

AIRPORT	ACTUAL	BUDGET	VARIANCE	% VARIANCE	% CONTRIBUTION
KKIA	271, 335,078	296,739,929	(25,404,851)	(8.7)%	72%
SMKIA	48,109,79 6	59,450,008	(11,340,212)	(19) %	13%
HMNIA	51,940,46 3	47,777,55 9	4,162,90 4	8.7%	14%
MFUWE	5,580,749	4,967,39 7	613,35 2	1 2%	1%
TOTAL	376,966,086	408,934,893	(31,968,807)	7.8%	100%

REVENUE CONTRIBUTION BY AIRPORT - 2016



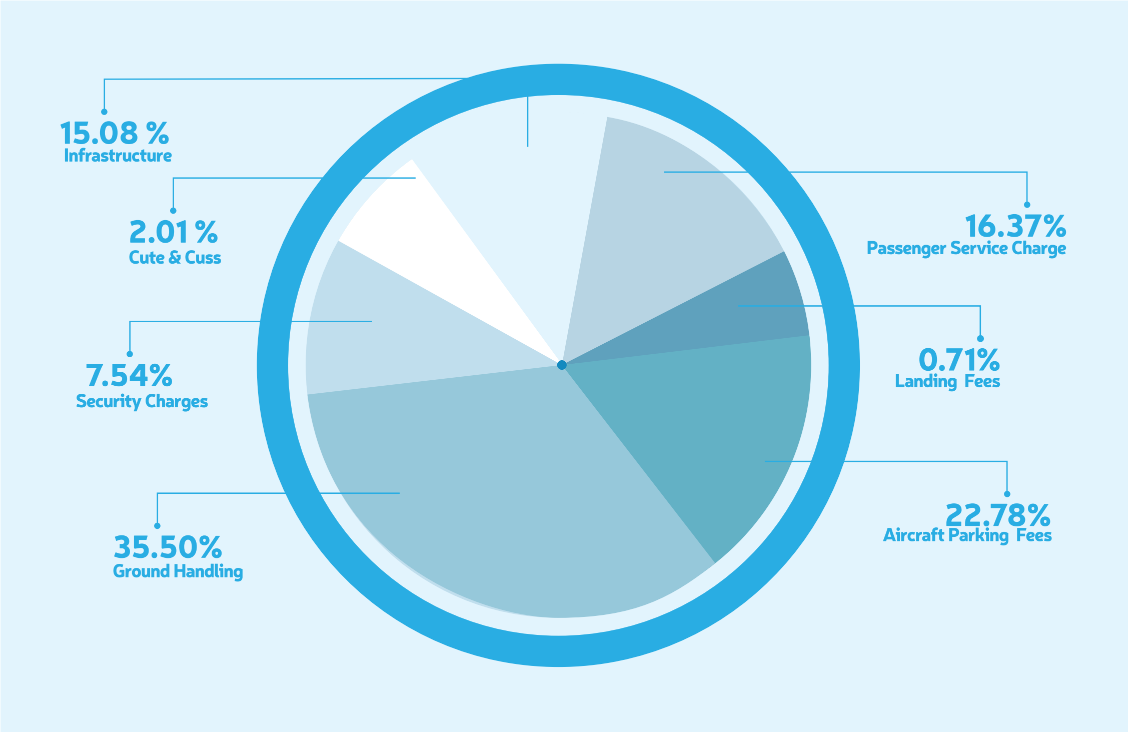
2.5 REVENUE CONTRIBUTION BY PRODUCT CATEGORY AIRPORT SERVICES

The total income made by the division was **K376,966,086** of which **K**348,865,734, representing **92.55%**% was aviation income and **K28,100,352** representing **7.45**%was from non-aviation income. Below is a presentation of the percentage contribution by category;

AERONAUTICAL REVENUE		
2016	**REVENUE (K)**	**% CONTRIBUTION**
Air Navigation Fees		
Passenger Service Charge	124,394,518	33.1%
Landing Fees	57,638,160	15.3%
Parking Fees	2,707,500	0.7%
Ground Handling	80,600,829	21.4%
Security Charges	26,903,919	7.1 %
Cute and Cuss	7,326,902	1.9%
Infrastructure Fee	52,275,451	13.9%
SUB TOTAL	**351,847,279**	**93.3%**

NON-AERONAUTICAL REVENUE		
Fuel Throughput	1,899,352	0.50%
Advertising	,318,859	0.88%
Kiosks	2,155,611	0.57%
Warehouses	3,485,172	0.92%
Restaurants	4,188,761	1.11%
Bars	207,813	0.01%
Office Rentals	2,319,237	0.61%
Car Parks	3,050,383	0.81%
Duty Free Shops	1,808,743	0.48%
Houses/Hangers	802,695	0.21%
Electricity/Water Recoveries	820,378	0.21%
Cell sites & Land Rentals	542,400	0.39%
Cold Room Concessions	0	0.00%
SUB TOTAL	**24,599,404**	**6.7%**
TOTAL	**376,446,683**	**100.%**

2016 AERONAUTICAL REVENUE DISTRIBUTION



2.6 CARGO MOVEMENT

During the period under review, 19,063 metric tons of cargo and mail was handled predominantly through Kenneth Kaunda International Airport. This was 3.5% more than the year 2015. The main catalyst for this positive performance was by, Ethiopian Airlines, South African airways, and Kenya Airways who have deployed cargo aircraft on the route.

The following is a summary of cargo performance:

PERIOD	CATEGORY	CARGO	MAIL	TOTAL
		2016		
Jan-Dec	Unloaded	10,784	222	11,006
	Loaded	6,225	31	6,256
	Transit	1,740	61	1,801
	Total	18,749	314	19,063
		2015		
Jan-Dec	Unloaded	10,434	210	10,644
	Loaded	6,214	32	6,246
	Transit	1,458	77	1,535
	Total	18,106	319	18,425
		%Growth		
Jan-Dec	Unloaded	3.35%	5.76%	3.40%
	Loaded	0.18%	-3.64%	0.16%
	Transit	19.33%	-20.92%	17.31%
	Total	3.55%	-1.62%	3.46%

2.7 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 BOSTWANA	✓	✗	✗	✗
AIR NAMIBIA	✓	✗	✗	✗
ANGOLA AIRLINES	✓	✗	✗	✗
PROFLIGHT	✓	✓	✓	✓

2.8 ZAMBIA BASED CHARTER OPERATIONS

INTERNATIONAL	KKIA	HMNIA	SMKIA	MFUWE
PRO CHARTER	✓	✓	✓	✗
STARAVIA	✓	✗	✓	✗
AVOCET	✓	✗	✓	✗
SKYTRAILS	✗	✓	✗	✗
CORPERATE AIR	✓	✓	✓	✗
NGWAZI AIR CHARTERS	✓	✗	✓	✗
ROYAL AIR CHARTER	✓	✗	✗	✗

2.9 CARGO AIRLINES

INTERNATIONAL	KKIA	HMNIA	SMKIA	MFUWE
SAA CARGO	✓	✗	✗	✗
KENYA AIRWAYS	✓	✗	✓	✗
ETHOPIAN AIRLINES	✓	✗	✓	✗
MARTIN AIR CARGO	✓	✗	✗	✗
STABO AIR	✓	✗		✗
EMIRATES AIRLINES	✓	✗	✗	✗

* Ceased to operate during the year under review

2.10 AIRPORT SERVICES PROJECTS

Kenneth Kaunda International Airport

Description	Amount	Status
Project Broken down as follows Termional Building, Fire & Rescue Services Station, Viaduct, Presidential Pavilion, Cargo Warehouse, Hotel, Commercial Complex	US$360,000,000	52% Complete

Simon Mwansa Kapwepwe International Airport

Description	Amount	Status
Copperbelt Internati onal Airport	US$397,000,000	Works have commenced

Harry Mwaanga Nkumbula International Airport

Description	Amount	Status
Terminal 2 Construction	US$60,000,000	Complete

2.11 QUALITY MANAGEMENT

The Corporation is ISO 9001-2015 certified. During the year various internal audits have taken place and continuous improvement of the system has been taking place. The Corporation is due for recertification in February 2017.

2.12 RISK MANAGEMENT

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

During the year under review, the Safety Health Environmental and Quality (SHEQ) team became fully operational with an added view of improving on the company's risk management profile. Risk will be managed within the framework set up within the current Five Year Strategic Plan (2012 – 2016).

2.13 ENVIRONMENT POLICY

The Corporation is committed to the 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 sustanability 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 is available to all stakeholders.

2.14 AIR NAVIGATION SERVICES DIVISION

Functions and Responsibilities

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

Key focus areas

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

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

Revenue

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

- Over-flights.
- International Navigation.
- Domestic Navigation.

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

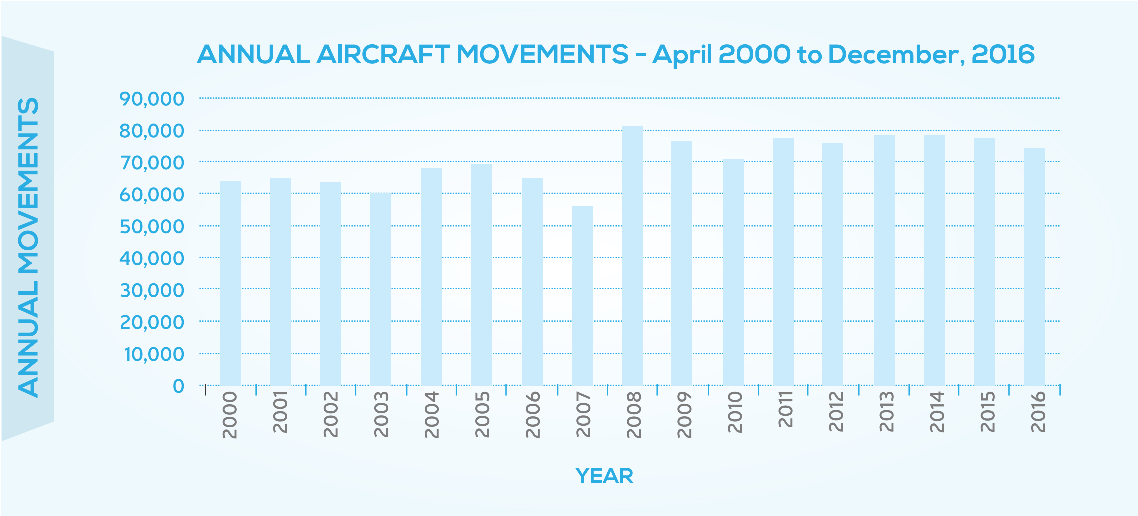
2.15 AIRCRAFT MOVEMENTS COMPARISON

CATEGORY	2016	2015	VARIANCE %
DOMESTIC	24,116	23,902	1
INTERNATIONAL	23,129	21,495	8
OVER-FLIGHTS	16,798	15,897	6
OTHERS*	9,989	15,872	(37)
TOTAL	74,032	77,166	(4)

* Others include operations by the military.

AIRCRAFT MOVEMENT PROGRESSION CHART

Aircraft movement trends - April 2000 to December, 2016



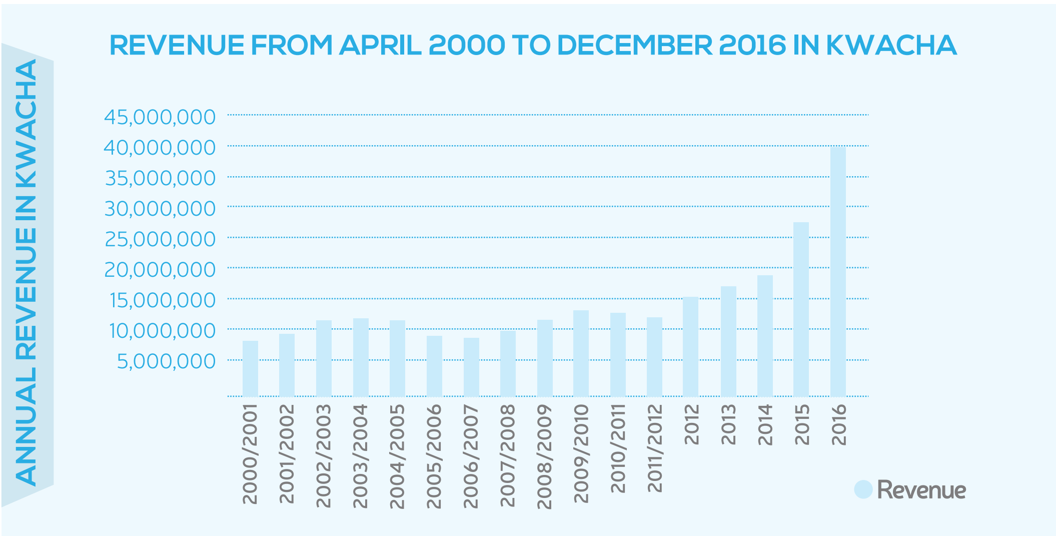
The table above shows annual aircraft movements for each respective year for the period April 2000 to December 2016.

2.16 REVENUE

During the year under review total movements of 74,032 translated into Air Navigation revenue of K 40.71 Million. The amount represented an increase of 42 % from K28.59 Million achieved in 2015.

This performance was largely attributed to an increase in charges during the year, coupled with the depreciation of the Kwacha against other convertible currencies. The introduction of charges in Special Rules Area of Livingstone also had a positive impact on our revenue base.

Revenue Progression Charts




New Vision
New Zambia
New Airport

2.17 AIR NAVIGATION PROJECTS

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

	Project	Status
	Zambia Air Traffic Management System project (ZATM–RADAR)	Completed
1	Non Directional Beacons for , Mansa, Mfuwe, Kasaba Bay and Kaoma	Still in progress
2	Automated Weather Observatory Station(AWOS)	Still in progress
3	Implementation of Aeronautical Telecommunication Network (ATN) project, Wide Area Network	Still in progress
4	Implementation of Global Navigation Satellite Systems (GNS S) at SMKIA and Mfuwe	Still in progress
5	Airspace Master Plan Study of Lusaka Flight Information Region (FIR)	Still in progress

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

2.18 HUMAN RESOURCES

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

The staff headcount for the period ending 31 December 2016 was eight hundred and fifteen (815) against approved establishment of eight hundred and fifty one (855) as tabulated here below.

A total number of fifty seven (57) new employees were engaged during the year to fill up the vacant positions in critical areas of operations. Forty-Two (42) employees were engaged on permanent and pensionable terms and fifteen (15) employees on Fixed Term Contract basis.

2.19 STAFF HEADCOUNT

DIVISION	H/O	KKIA	SMKIA	HMNIA	MFUWE	P/A	TOTAL	EST
MD's Office	16	0	0	0	0	0	16	16
Technical	7	5	1	0	0	0	13	11
Finance	16	0	3	3	1	0	23	23
APS	7	328	111	102	29	5	582	615
ANS	14	67	16	16	9	7	129	137
HR	17	0	2	3	1	0	23	25
Legal	18	2	4	5	0	0	29	28
TOTAL	95	402	137	129	40	12	815	855

Labour Turnover

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

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 availed various training programs of which a total of 1,203 participants attended both locally and abroad in the following key areas of operations:

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

The Corporation also supported employees in improving their academic qualifications through the educational policy. A total of twenty-one employees successfully completed their studies in 2016 as tabulated below:

Qualification	Number
Master's Degree	05
First Degree	10
Diploma	02
Certificate	04
Total	21

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 good working relationship and employee participation in decision making .

2016 Collective Bargaining

Management and the two unions, Airways Allied Workers Union of Zambia (AAWUZA) and Nation Union Airways Allied Workers (NUAAW) concluded negotiations for improved salaries and conditions of service for 2017.

Labour Day

ZACL joined the rest of the world in commemorating Labour Day on 1st May 2016. In appreciation for the dedicated long service rendered to the Corporation, seventeen (17) employees who had clocked ten (10) and nine (9) who had clocked twenty (20) years of unbroken service were awarded with long service certificates and monetary awards.

Retirees Benefits

The Corporation successfully managed to clear all outstanding in-house retirement benefit claims for Twenty-four (24) ex-staff who left employment from 2014 to 2016. However, the Corporation still had a deficit funding for the closed in-housing Pension Scheme amounting to over K80million as at the year end.

ZACL Pension Scheme

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

HIV/AIDS & Wellness Program

The newly established HIV/AIDS and Employee Wellness Program was scheduled to be launched in 2016 but was deferred to 2017 in order to ensure that all necessary logistics were in place. The training of Wellness Champions was undertaken as part of the preparatory works to facilitate effective launch of new program.

The Corporation continued to provide the necessary logistical and medical support to employees under the HIV/AIDS program. 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.


STAFF
WELLNESS
MEDICAL
SCHEM
2017
Zambia
IRPORTS
Corporation Limited

CORPOARATE FINANCIAL RESULTS

Revenue

The Corporation turnover in the year under review was K416 Million compared to the previous year 2015 of K322 Million; this was 29% above last year. These results are mostly due to the depreciation of the kwacha against other convertible currencies. Paying passengers numbers at the four airports only increased by 2.3%.

Table 1 - Revenue by income Type

AIRPORT SERVICES	DEC 2016 K	DEC 2015 K	2016 %
Passenger Service Charge	124,394,518	102,990,823	30%
Landing Fees	57,638,160	38,062,120	14%
Ground Handling Fees	80,600,829	63,467,985	19%
Aviation Security	26,903,919	22,848,454	6.4%
Aircraft Parking	2,707,500	2,770,508	0.7%
Aviation Infrastructure fees	52,275,452	43,966,195	13%
Cute and Cuss	7,326,902	3,976,029	2%
Other	24,599,403	24,567,919	5.9%
Total	**376,446,683**	**302 ,650,033**	
AIR NAVIGATION			
Over flights	24,485,944	19,399,561	5.9%
Navigation fees	15,386,969	10,393,605	3.7%
Others	-	-	
Total	**39,872,913**	**29,793,166**	**100%**
Grand Total	**416,319,596**	**332,443,199**	
Average exchange rate	9.8 75	11.010	
Year End rates	9.868	11.210	

Table 2 – Expenses

EXPENSES	DEC 2016 K	DEC 2015 K
Personnel	153,704,262	124,468,843
Depreciation	36,230,226	41,092,639
Finance costs	19,990,204	18,918,003
Other costs	143, 410,678	110,601,336
TOTAL	350,050,422	295,080,821
Profit /(loss) before Tax and exchange gain/(loss)	80,818,958	45,775,692
Exchange gain/(loss)	4,664,725	(36,348,832)
Income tax	(39,334,689)	(23,656,518)
Profit /(loss) after Tax and exchange gain/(loss)	41,484,269	22,119,174

Operating Turnover by Airport

Airport Services	DEC 2016 K	DEC 2015 K
Kenneth Kaunda	268,362,091	220,920,884
Simon Mwansa Kapwepwe	48,361,304	41,660,353
Harry Mwaanga Nkumbula	54,052,052	35,517,879
Mfuwe	5,671,236	4,550,917

THE BOARD AND MANAGEMENT

Board Members

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

1. **Ms Mubanga Musakanya**
   Chairperson

2. **Mr Robinson Misitala**
   Managing Director

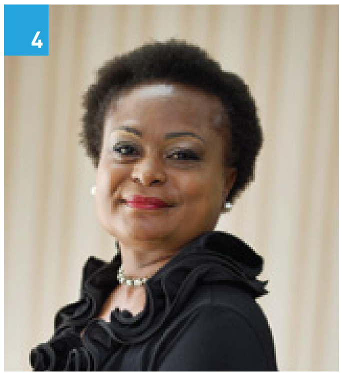
3. **Mr Lazarous Chota**
   Vice Chairperson

4. **Ms Kutemba Konga**
   Member

5. **Mr Boniface Njovu**
   Member

6. **Mr Felix Nkulukusa**
   Member

7. **Mrs Maggie B. Kaunda**
   Corporation Secretary



MANAGEMENT

During the year, management consisted of the following:-

1. **Mr Robinson Misitala**
   Managing Director

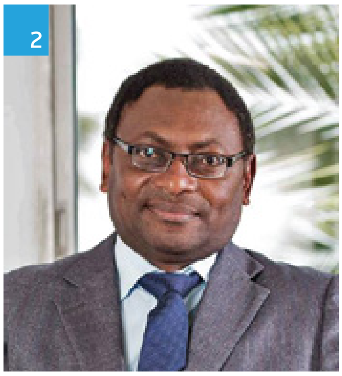
2. **Mr Frank Chinambu**
   Director. Air Navigation Services

3. **Agness Chaila**
   Director Airport Services

4. **Mr Tapiwa Chikumbu**
   Finance Director

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

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



AIRPORT MANAGERS

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 2016

MPH Chartered Accountants

Contents	Pages

The directors submit their report and audited financial statements for the year ended 31 December, 2016.

1. Status of the Corporation

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

2. Principal activities

The Corporation's principal activity is the provision of airport facilities and services at designated international airports, namely Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe as well as provision of a navigation services throughout Zambia.

3. Share capital

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

4. Results

The Corporation's results are as follows:

	2016 K	2015 K
Operating revenue	**416,319,596**	332,443,199
Profit before tax	**80,818,958**	45,775,692
Income tax expense	**(39,334,689)**	(23,656,518)
Profit for the year	**41,484,269**	22,119,174

The Corporation achieved revenue of K416million during the twelve months compared to K332 million for the previous 12 months. Operating costs during the period amounted to K355 million (2015 – K295 million) resulting into a profit before tax of K80.8 million (2015 – K45.8 million) after taking into account other income and other charges.

5. Dividends

The Corporation made a profit after tax of K41,484,269 for the year ended 31 December 2016 (2015: K22,119,174). In light of the above, the Directors recommend a dividend of K5,000,000 for the year ended 31 December 2016 (2015 K3,500,000).

6. Directors and Secretary

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

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

The Secretary is:
Mrs. Maggie Banda Kaunda
Zambia Airports Corporation Limited
Lusaka International Airport
PO Box 30175
LUSAKA

7. Industrial relations

The Corporation enjoyed industrial harmony throughout the year.

8. Employees

The Corporation had 815 full time employees at 31 December 2016 (31 December 2015 – 802) and total salaries and wages paid were K153 million for the year ended 31 December 2016 (December 2015 – K125 million). The average number of employees in each month for the year was:

January 2016	**806**
February 2016	**805**
March 2016	**817**
April 2016	**816**
May 2016	**820**
June 2016	**815**
July 2016	**813**
August 2016	**820**
September 2016	**819**
October 2016	**814**
November 2016	**814**
December 2016	**815**

9. Gifts and donations

The Corporation made donations of K434,525 during the year (2015 – K851,452).

10. Property, plant and equipment

Additions to property, plant and equipment totaling K57 million were made during the year (2015 – K41 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 8 to 50 have been approved by the directors.

13. **Auditors**

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

By order of the Board.
Mrs Maggie Banda Kaunda
Corporation Secretary

Lusaka ………………………………………..

Date: ……………………………………….

Statement of Directors' Responsibilities

The Company's directors are responsible for the preparation and fair presentation of financial statements of Zambia Airports Corporation Limited, comprising the statement of financial position as at 31 December 2016, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards and the Companies Act of Zambia.

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

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

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

Approval of the financial statements

The financial statements of the Corporation as indicated above and set out on pages 8 to 50 were approved by the Board on ………………………………… and were signed on its behalf by:

……………………………………………

Mubanga Musakanya
Chairperson

……………………………………………

Robinson Misitala
Director

Independent Auditor's Report

To the members of Zambia Airports Corporation Limited

Report on the financial statements

Opinion

We have audited the financial statements of the Zambia Airports Corporation Limited ("the Corporation"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- review of receipts after year end; and
- controls over sales.

Based on available evidence the Company has significant long outstanding debtors' balances some of which have been provided against.

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

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

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

Auditor̀s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor̀s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other Information

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

Other Matter

The supplementary information set out on page 51 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

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 companỳs financial statements of the financial position and profit or loss account are in agreement with the books of account.

Statement of Profit or Loss and Other Comprehensive Income

	Note	2016 K	2015 K
Revenue	8	**416,319,596**	332,443,199
Expenditure			
Depreciation	11	**(36,230,226)**	(41,092,639)
Employee costs	App1	**(153, 704,262)**	(124,46 8,843)
Other operating expenses	App1	**(143,410,678)**	(110,601,337)
		82,974,430	56,280,380
Other income	App1	**19,214,509**	8,400,717
Profit from operations		**102,188,939**	64,681,097
Finance costs	9	**(21,369,981)**	(18, 905,405)
Profit before tax		**80,818,958**	45,775,692
Income tax	10(a)	**(39,334,689)**	(23,656,518)
Profit after tax		**41,484,269**	22,119,174
Other comprehensive income		-	-
Total comprehensive income		**41,484,269**	22,119,174

Statement of Financial Position

	Note	2016 K	Restated 2015 K	2014 K
Assets				
Non-Current Assets				
Property and equipment	11	**580,364,148**	582,968,085	582,497,534
Financial assets at fair value through profit and loss	12	**1,710,761**	1,710,761	1,710,761
		582,074,909	584,678,846	584,208,295
Current Assets				
Inventory	13	**3,224,512**	2,158,221	1,864,230
Trade and other receivables	14	**114,828,527**	111,952,335	66,751,093
Held to maturity financial assets	15	**23,380,424**	104,569	101,201
Cash and cash equivalents	16	**44,926,923**	40,682,407	15,098,318
		186,360,386	154,897,532	83,814,842
Total Assets		**768,435,295**	**739,576,378**	668,023,137
Equity and Liabilities				
Equity				
Share capital	17	**16,458,500**	16,458,500	16,458,500
Amounts received pending allotment of shares		**13,928,678**	13,928,678	13,928,678
Revaluation reserve		**63,038,373**	104,622,592	65,129,995
Accumulated profit		**36,268,008**	(9,357,355)	(7,911,443)
		129,693,559	125,652,415	187,605,730
Non-Current Liabilities				
Capital grants	18	**97,401,076**	106,688,793	111,776,315
Long-term loans	19	**116,553,290**	159,682,207	94,837,534
Deferred income tax	10(d)	**191,433,256**	157,489,517	104,622,597
Obligations under finance lease	20	**1,611,789**	2,544,593	-
Deferred liability	21	**74,345,850**	70,673,590	78,209,074
		481,345,261	497,078,700	389,445,520
Current Liabilities				
Short term portion of long-term loans	19	**38,706,665**	44,785,647	26,960,449
Obligations under finance leases	20	**4,871,911**	3,711,186	1,795,630
Trade and other payables	22	**61,045,022**	58,568,158	36,468,850
Income tax payable	10(b)	**46,761,524**	38,191,836	15,585,318
Bank overdraft	16(b)	-	402,821	1,041,640
Deferred liability	21	**6,011,353**	13,190,400	9,120,000
		157,396,475	158,850,048	90,971,887
Total Equity and Liabilities		**768,435,295**	**739,576,378**	668,023,137

The financial statements set out on pages 8 to 50, which have been prepared on a going concern basis, were approved by the Board on 12 October, 2017 and were signed on its behalf by:

....
Mubanga Musakanya
Chairperson

....
Robinson Misitala
Director

Statement of Changes in Equity

	Share capital K	Amount received pending allotment K	Revaluation reserves K	Accumulated profit/(losses) K	Total K
At 1 January 2015	16,458,500	13,928,678	165,129,995	(7,911,443)	187,605,730
Total comprehensive Income	-	-	-	22,119,174	22,119,174
Deferred tax on valuation	-	-	(52,866,920)	-	(52,866,920)
Transfer			(7,640,483)	7,640,483	-
At 31 December 2015	16,458,500	13,928,678	104,622,592	21,848,214	156,857,984
At 31 December 2015 as previously reported	16,458,500	13,928,678	104,622,592	21,848,214	156,857,984
Prior year adjustments (Note 27)	-	-	-	(31,204,955)	(31,204,955)
At 31 December 2015 as restated	16,458,500	13,928,678	104,622,592	(9,356,741)	125,653,029
At 1 January 2016	16,458,500	13,928,678	104,622,592	(9,356,741)	125,653,029
Total comprehensive Income					
Profit for the year		-	-	41,484,269	41,484,269
Deferred tax on valuation		-	(33,943,739)	-	(33,943,739)
Dividend paid	-	-	-	(3,500,000)	(3,500,000)
Transfer	-	-	(7,640,480)	7,640,480	-
At 31 December 2016	**16,458,500**	**13,928,678**	**63,038,373**	**36,268,008**	**129,693,559**

Statement of Cash flows

	Note	2016 K	2015 K
Cash inflow from operating activities			
Profit before tax		**80,818,958**	45,775,692
Profit on disposal of property, plant and equipment		**-**	(152,992)
Interest paid	9	**19,990,204**	18,918,003
Interest received	9	**(3,284,948)**	(12,598)
Unrealised exchange (gain)/losses on long term loans	9	**4,664,725**	61,607,488
Depreciation	11	**36,230,226**	41,092,640
Amortisation of capital grants	18	**(9,217,778)**	(5,229,089)
Increase in inventories		**(1,066,291)**	293,991
Decrease/(increase) in trade and other receivables		**(2,876,192)**	(76,265,245)
(Decrease)/increase in trade and other payables		**44,481,649**	(19,905,473)
(Decrease)/increase in deferred liability		**(2,207,002)**	4,070,400
Net cash flows from operating activities		167,533,551	70,192,816
Returns on investment and servicing of finance			
(Increase)/Decrease in held to maturity financial assets		(23,275,855)	(3,368)
Purchase of share		-	-
Interest received	9	3,284,948	12,598
Interest paid	9	(19,990,204)	(18,918,003)
Dividend paid		(3,500,000)	-
Net cash flows from/(used on) returns on investments and Servicing of finance		(43,481,111	(18,908,773)
Income tax paid	10(b)	(30,765,00 1)	1,050,000
Investing activities			
Purchase of property, plant and equipment	11	(57,476,283)	(41,563,191)
Proceeds on disposal of property, plant and equipment		-	265,446
Net cash flows used on investing activities		(57,476,283)	(41,297,745)
Financing activities			
Long-term loan received		14,648,473	55,512,108
Finance lease received		3,649,818	10,101,768
Finance lease repaid		(3,421,897)	(5,641,619)
Repayment of loans		(46,040,214)	(44,785,647)
Net cash flows from financing activities		(31,163,820)	15,186,610
Movement in cash and cash equivalents			
Net cash flow		4,647,337	26,222,908
Cash and cash equivalents at beginning of the year		40,279,586	14,056,678
Cash and cash equivalents at end of the year	**16(a)**	**44,926,923**	40,279,586

Accounting Policies

1. Status of the Corporation

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

2. Principal activities

The Corporation's principal activity is the provision of airport facilities and services at the designated international airports, namely Kenneth Kaunda International Airport, Simon Mwansa Kapwepwe, Harry Mwaaga Nkhumbula and Mfuwe International Airports as well as provision of air navigation services throughout Zambia.

3. Basis of preparation and accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment and certain financial assets and liabilities at fair value through profit and loss.

Use of estimates and judgements

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 Corporatioǹs accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 6.0.

4. Going concern

During the year, the Corporation recorded a profit of K80.8 million (2015: profit of K45.7 million) and its non- current liabilities reduced to K481 million from K497 million in the previous period. The Corporation meets its day to day working capital requirements from its own generation of funds through the collection of various fees.

The financial statements have been prepared on a going concern basis which assumes that the Corporation will continue in operational existence for the foreseeable future.
The validity of this assumption depends on continued profitable operations.
If the Corporation were unable to continue in operational existence, adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify property, plant and equipment as current assets.
The Directors have reviewed the effects of the matters mentioned above and believe that it is appropriate for the financial statements to be prepared on a going concern basis.

5. Significant accounting policies

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

5.1 Revenue recognition

Revenue is recognized on an accrual basis.

5.2 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.
Increase in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus in shareholders' equity.

Decreases that offset previous increases of the same assets are charged against 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 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:

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

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

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

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

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

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

5.3 Leased assets

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

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

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

5.4 Financial assets

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

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

(I) ***Financial assets at fair value through profit or loss***

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

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

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

- Held in internal funds to match investment contracts liabilities that are linked to the changes in fair value of assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;

- Managed and whose performance is measured on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

(ii) ***Debtors and receivables***

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

(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 recognized at fair value, less provision for impairment. A provision for impairment is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to their original terms.

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

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

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

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

5.5 Impairment of assets

(I) Financial assets carried at amortized cost

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss evet') 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 reorganization; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Corporation, including:
- Adverse changes in the payment status of issuers or debtors in the Corporation; or
- National or local economic conditions that correlate with defaults on the assets in the Corporation.

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

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

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

(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 recognized in income – is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of comprehensive income, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in income.

(iii) Impairment of other non-financial assets

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

5.6 Inventories

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

5.7 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.

5.8 Borrowing costs

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

5.9 Grants

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

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

5.10 Short term and long term loans

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

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

5.12 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

5.13 Employee benefits

(i) Pension obligations

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

(ii) Termination benefits

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

(iii) Gratuity

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

5.14 Provision

Restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognized when: the Corporation has a present legal or constructive obligation as result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

5.15 Dividend distribution

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

6.0 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 provisions and accruals
(d) recoverability of trade and other receivables

7 MANAGEMENT OF FINANCIAL RISK

7.1 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.

7.2 Credit risk

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

7.3 Capital management

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

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

7.4 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.

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

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

In the current year, the Corporation has applied a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

- ***Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle***
  The application of the amendments has had no impact on the disclosures or amounts recognized in the Corporation's financial statements for 2016.

Standard	Subject of amendment	Details
IFRS 5 *Non-current assets Held for Sale and Discontinued Operations*	Changes in methods of disposal	The amendments introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held for distribution
IFRS 7 *Financial Instruments Disclosures(with consequential amendments to IFRS 1)*	Servicing contracts	The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of disclosures required in relation to transferred assets; and clarify that the offsetting disclosures are not explicitly required for interim periods. However, the disclosures may need to be included in the condensed interim financial statements issued under IAS 34 *Interim Financial Reporting*.
IAS 19 *Employee Benefits*	Discount rate: region market issue	The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post – employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

IAS 19 *Employee Benefits*	Disclosure of information included 'elsewhere in the interim financial report'	The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

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

  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if, and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

  A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

  The amendments apply prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016.

  The application of these amendments has had no impact on the disclosures or the amounts recognized in the Corporation's financial statements.

- ***Amendments to IAS 1: Disclosure Initiative***

  The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice:

  - An entity should not reduce the understandability of its statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

  - In other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss;

- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

  The application of these amendments has had minimal impact on the disclosures or the amounts recognized in the Corporation's financial statements.

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

  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

  - When the intangible asset is expressed as a measure of revenue; or
  - When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

    The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The Corporation uses the straight-line method for depreciation and amortisation of its property, plant and equipment, and intangible assets respectively. The Directors of the Corporation believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, there is no impact of these amendments on the Corporation's financial statements.

- ***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***

  The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.These amendments have no effect on the Corporation's financial statements as the company is not engaged in agricultural activities.

- ***Amendments to IAS 27: Equity Method in Separate Financial Statements***

  The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in the separate financial statements;

  - at cost;
  - in accordance with IFRS 9 (or IAS 39 for entities that have yet to adopt IFRS 9), or;
  - using the equity method as described in IAS 28 "Investments in Associates and Joint Ventures".

  The same accounting must be applied to each category of investments and the amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs. The amendment is effective 1 January 2016. The amendments have no impact on the Corporation's financial statements.

- ***Amendments to IFRS 14: Regulatory Deferral Accounts***

  IFRS 14 is an interim standard which provides relief for first-adopters of IFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

The amendments have no impact on the Corporation's financial statements.

- **IFRS 9 :*Financial Instruments***

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

- **Key requirements of IFRS 9:**

  - All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  - With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

  - In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

  - The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'.

Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

  The Directors of the Corporation anticipate that the application of IFRS 9 in the future will not have a material impact on amounts reported in respect of the Corporation's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Corporation undertakes a detailed review.

- **IFRS 15: *Revenue from Contracts with Customers***

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

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

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

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

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

- **IFRS 16: Leases**

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

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Control is considered to exist if the customer has:

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

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

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

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

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

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

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

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

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

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

The amendments clarify the following:

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

- The modification of a share – based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

    I. the original liability is derecognized;

    II. the equity-settled share-based payment is recognized at the modification date fair date value of the equity instrument granted to the extent that the services have been rendered up to the modification date; and

    III. any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

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

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

- ***Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

  The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

  IAS 28 has been amended to reflect the following:

  - Gains and losses resulting from transactions involving assets that constitute a business between an investor and its associate or joint venture are recognized to the extent of unrelated investor's interest in the associate or joint venture.

  - Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognized in full in the investor's financial statements.

  IFRS 10 has been amended to reflect the following:

  - Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrealized investor's interests in that associate or joint venture. Similarly, gains and losses resulting from the re measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investor's interest in the new associate or joint venture.

    The effective date of the amendments is yet to be determined. However earlier application of these amendments is permitted.

    The Directors are yet to determine the impact of these amendments to future financial statements of the Corporation.

- ***Amendments to IFRS 5: Disclosure initiative***

  The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non- cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfill the disclosure objectives by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods. The Directors are of the opinion that the amendments will impact future presentation of the Corporation's financial statements. The extent is however yet to be determined.

- ***Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses***

  The amendments clarify the following:

  - Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
  - When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains) an entity asses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
  - The estimate of probable future taxable profit may include the recovery of some of the entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences. The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.

Notes to the Financial Statements

	2016 K	2015 K

8 Revenue

	2016 K	2015 K
Over flight fees	**24,485,944**	19,399,561
Air Navigation fees	**15,386,969**	10,393,605
Passenger service charges	**124,394,518**	102,990,823
Security charges	**26,903,919**	22,848,454
Cute and Cuss	**7,326,902**	3,976,029
Landing fees	**57,638,160**	38,062,120
Parking fees	**2,707,500**	2,770,508
Fuel through put fees	**1,899,352**	2,789,326
Car park	**3,050,383**	2,608,053
Ground handling	**80,600,829**	63,467,985
Rentals	**19,649,669**	19,170,540
Aviation infrastructure fees	**52,275,451**	43,966,195
	416,319,596	332,443,199

9 Finance costs

	2016 K	2015 K
Interest on loans	**(19,990,204)**	(1 8,918,003)
Interest on short term investments	**3,284,948**	12,598
Exchange loss	**(4,664,725)**	-
	(21,369,981)	(18,905,4 05)

10 Income tax expense

	2016 K	2015 K
(a) Recognised in the statement of Comprehensive income		
Income tax on normal income	**36,605,139**	22,835,693
Income tax on taxable other income	**2,729,550**	820,8325
	39, 334, 689	23,656,518

Current tax is subject to agreement with the Zambia Revenue Authority

	2016 K	2015 K
(a) Tax reconciliation		
The tax on the Corporation's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Tax at 35% on profit before tax	**40,071,350**	16,021,492
Non- deductible expenses	**2,452,785**	5,034,393
Movement in revaluation reserves	**(3,189,446)**	(2,674,169)
Prior year under/(over provision)	**-**	(862,762)
Deferred tax asset not recognized	**-**	4,412,040
	39,334,689	23,656,518
(b) Income tax payable		
Tax payable at beginning of year	**38,191,836**	15,585,318
Charge for the year (note 10 (a))	**39,334,689**	23,656,518
Taxation paid	**(30,765,001)**	(1,050,000)
Taxation payable at end of year	**46,761,524**	38,191,836

(c) Income tax returns have been filed with the Zambia Revenue Authority for all the years up to 31 December 2015. Quarterly tax returns for the period ended 31 December 2016 were made on the due dates during the year.

(d) Deferred income tax

	1 January K	Charged to profit & loss K	Charged to equity K	31 December K
31 December 2015				
Deferred income tax liability (Recognised)				
Revaluation reserves	104,622,597	-	52,866,920	157,489,517
Deferred income tax asset (not recognised)				
Accelerated capital allowance	**(33,384,464)**	268,369	-	(33,116,095)
Exchange gains	**3,570,812**	21,149,781	-	24,720,593
Exchange losses	**(6,618,199)**	(23,056,737)	-	(29,674,936)
Debt impairment provision	**(15,985,187)**	(2,773,453)	-	(18,758,640)
	(52,417,038)	(4,412,040)	-	(56,829,078)
31 December 2016				
Deferred income tax liability (Recognised)				
Revaluation reserves	157,489,517	-	33,943,739	191,433,256
Deferred income tax asset (not recognised)				
Accelerated capital allowance	(33,116,095)	(113,530,939)	-	(146,647,034)
Exchange gains	24,720,593	(966,680)	-	23,753,913
Exchange losses	(29,674,936)	1,705,407	-	(27,969,529)
Debt impairment provision	(18,758,640)	28,950,242	-	10,191,602
	(56,829,078)	**(83,841,971)**	-	(140,671,048)

11 Property, plant and equipment

	Airport Terminal, Runways, Taxiways and Aprons K	Motor Vehicles K	Equipment And Furniture K	Captial Work in Progress K	Total K
Cost					
At 1 January 2015	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)
At 31 December 2015	**581,726,742**	**15,836,568**	**209,385,64 2**	**19,380,817**	**826,329,769**
At 1 January 2016	581,726,742	15,836,568	209,385,642	19,380,817	826,329,769
Additions	10,237,238	7,632,366	39,606,679	-	57,476,283
Transfers	6,304,560	-	-	(6,304,560)	-
Disposals	-	-	-	-	-
Adjustment	(6,739,118)	-	(17,125,356)		(23,864,474)
At 31 December 2016	**591,529,422**	**23,468,934**	**231,866,965**	**13,076,257**	**859,941,578**
Depreciation					
At 1 January 2015	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**
At 1 January 2016	90,463,384	11,156,586	141,741,712	-	243,361,681
Charge for the year	14,563,095	3,270,079	18,3 97,052	-	36,230,226
Adjustment	-	-	(14,47 8)	-	(14,478)
At 31 December 2016	**105,026, 479**	**14,426,665**	**160,124,286**	-	**279,577,4 29**
Net book value					
At 31 December 2016	**486,502,943**	**9,042,269**	**71,742,679**	**13,076,257**	**580,364,148**
At 31 December 2015	491,263,358	4,679,982	67,643,930	19,380,817	582,968,085

(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 specialized part of the property because the specialized nature of the use means that there are no market transactions of this type of property except as part of the business or entity, and the sales comparison approach for the surplus land. Surplus on valuation and depreciation no longer required totaling K305,619.40 million was transferred to revaluation reserve.

(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 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 whilst title for Mfuwe airport has not been issued. Title for Kenneth Kaunda International Airport is in the name of the Department of Civil Aviation. However, title to Kenneth Kaunda will revert to Zambia Airports Corporation. This process to change ownership of title to the airports is in progress.

(d) Included in the property, plant and equipment are leased motor vehicles with a net book value of K6,184,148 and fully depreciated assets with a total cost of K38, 679,014.

12. Financial assets at fair value through profit and loss

	2016 K	2015 K
ZEGA Limited. - 10% interest	**1,710,761**	1,710,761

13. Inventories

Consumable stores	**3,224,512**	2,158,221

14. Trade and other receivables

		Restated
Trade debtors	**211,327,598**	202,597,750
Less: provision for impairment losses	**(102,704277)**	(103,100,343)
	1 08,623,321	99,497,407
Staff loans and advances	**3,696,493**	5,306,781
Deposits and prepayments	**2,508,713**	7, 148,147
	114,828,527	111,952,335

15. Held to maturity financial assets

Intermarket Discount House	**11,907,684**	-
Banc ABC	**11,364,658**	-
Finance Building Society	**108,082**	104,569
	23,380,424	104,569

180 days fixed term deposits	**180,082**	104,569
91 days fixed term deposits	**23,272,342**	-
	23,380,424	104,569

The fixed term deposits are held with the following institutions:

Finance Building Society	**108,082**	104,569
Banc ABC Zambia Limited	**11,364,659**	-
Intermarket Banking Corporation Limited	**11,907,683**	-
	23,380,424	104,569

16. Cash and cash equivalents

Cash in hand and at bank (note (a))	**44,926,923**	40,682,407
Bank overdrafts (note (b))	**-**	(402,821)
	44,926,923	40,279,586

(a) Cash in hand and at bank

Other bank balances	**44,916,848**	40,672,717
Cash in hand	**10,075**	9,690
	44,926,923	40,682,407

(b)	Bank overdrafts		
	Stanbic Bank (Z) Limited	-	401,658
	Zambia National Commercial Bank Plc	-	1,163
		-	402,821

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.

17. Share capital

Authorised, issued and fully paid		
16,458,500 ordinary shares of K1 each	**16,458,500**	16,458,500

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

18. Capital grants

	2016	Restated 2015
	K	K
At beginning of the year	**106, 618,854**	111,776,316
Amortisation during the year	**(9, 217,778)**	(5,157,462)
	97,401,076	106, 618,854

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

19. Long-term loans

Zambia National Commercial Bank Plc		
Loan (1)	**5,514,453**	20,723,866
Loan (2)	**9,471,501**	16,047,085
Loan (3)	**81,348,172**	107,595,763
Loan (4)	**21,623,490**	31,396,993
Loan (5)	**37,302,339**	204,467,854
Balance at the year end	**155,259,955**	204,467,854
Portion repayable within next 12 months	**38,706,665**	44,785,647
Portion repayable after 12 months	**116,553,290**	159,682,207
	155,259,955	204,467,854

These ZANACO facilities represent US$30,000,000 loans bearing interest at 10% and repayable by April 2021. The loans are secured by the assignment of foreign currency receivables from IATA.

20. Obligations under finance leases

At beginning of the year	**6,255,779**	1,795,630
Additions during the year	**3,649,818**	10,101,768
Repayments during the year	**(3,421,897)**	(5,641,619)
At end of year	**6,483,700**	6,255,779
Repayable within next 12 months	**4,871,911**	3,711,186
Repayable after 12 months	**1,611,789**	2,544,593
	6,483,700	6,255,779

21. Deferred liability

Deferred liability relates to provision for terminal benefits amounting to K80.5 million inclusive of 12% interest. The deferred liability relates to terminal benefits due to staff at 1 April 2008. The liability was frozen at that date and is payable to eligible staff upon separation from the Corporation.

	2016	2015
	K	K
At the beginning of the year	**83,863,990**	87,329,074
Interest	**8,486,703**	10,725,410
Payments	**(11,993,490)**	(14,200,492)
	80,357,203	83,863,990
Repayable within next 12 months	**6,011,353**	13,190,400
Repayable after 12 months	**74,345,850**	70,673,590
	80,357,203	83,863,990

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 5 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	**4,901,008**	3,432,723
Interest on discontinued defined benefit liability scheme	**8,486,703**	10,725,410
	13 ,387,711	14,158,133

22. Trade and other payables

Trade creditors	**36,697,826**	36,229,963
Debtors in credit	**7,942,425**	12,928,643
Accruals	**10,674,077**	6,360,050
Other creditors and provisions	**5,730,694**	3,049,502
	61,045,022	58,568,158

23. Receivables from employees

The receivables from employees are loans and advances to employees that are recovered through the payroll. The loans and advances are unsecured and carry an interest charge of 4% to 5%. The loans and advances are given to employees as part of the Company's retention policy. The repayment terms vary based on the purpose of the loan or advance.	3,696,493	5,306,782

The value of the receivables are analysed as follows:

Fair value at market rate		
Unexpired benefits to employees		
	3,696,493	5,306,782

Interest income on receivables in income and expenditure from employees is as follows:

Interest income at market rate	365,443	-
Expired benefits provided by the employer	-	-
Interest on employee receivables in income and expenditure	365,443	-

24. Financial instruments

Capital management

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

Categories of financial instruments

Financial assets

	Note		
Cash and bank balances	16	**44,926,923**	40,682,407
Receivables from employees	14	**3,696,493**	5,306,781
Deposits and prepayments	14	**2,508,713**	7,148,147
Trade receivables	14	**108,623,321**	99,497,407
Held to maturity investments	15	**23,380,424**	104,569
			-
		183,135,874	152,739,311

Finance liabilities held at amortised cost or fair value

Trade payables	22	**36,697,826**	36,229,963
Trade receivables -credit balances	22	**7,942,425**	12,928,643
Accruals	22	**10,674,077**	-
Other payables and provisions	22	**5,730,694**	3,049,502
Stanbic Bank Zambia Limited -bank overdraft	16(b)	-	401,658
Zambia National Commercial Bank Plc -bank overdraft	16(b)	-	1,163
Zambia National Commercial Bank Plc -long-term loans	19	**155,259,955**	204,467,854
Stanbic Bank Zambia Limited -finance leases	20	**6,483,700**	6,255,779
Capital grants	18	**97,401,076**	106,547,227
Employee terminal benefits	21	**80,357,203**	83,863,990
		400,546,956	453,745,779

Financial risk management objectives

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

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

Market risk

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

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

Foreign currency risk management

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

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

Currency	Asset/liabilities		
US Dollars	Trade creditors	751,476	-
US Dollars	Bank balances	2,615,920	-
US Dollars	Receivables	15,665,929	-
US Dollars	ZANACO loans	14,251,955	-
US Dollars	Stanbic finance leases	657,042	-

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

	Mid-market exchange rates as at 31 Dec 2016	Mid-market exchange rates as at 31 Dec 2015	Average currency appreciated during the year
US Dollars	9.868	10.966	10.01%

At 31 December 2016, if the US Dollar had appreciated or depreciated by 10% against the Kwacha, with all other variables held constant, the increase or decrease in the surplus for the year would have been K………

Interest rate risk management

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

Credit management

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

The Companỳs maximum exposure to credit risk is analysed below:

	Note		
Trade receivables	14	**108,623,321**	99,497,407
Staff loans and advances	14	**3,696,493**	5,306,781
Deposit and prepayments	14	**2,508,713**	7,148,147
Held to maturity investment	15	**23,380,424**	104,569
Cash and bank balances	16(a)	**44,926,923**	40,682,407
		183,135,874	152,739,311

The Company holds security over its financial assets in respect of receivables from IATA.
Liquidity risk management

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

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

	Note	1 to 3 months	3 months to 1 year	More than 1 year	Total
31December 2016		K	K	K	K
Liabilities					
Trade payables	22	36,697,826	-	-	36,697,826
Trade receivables -credit balances	22	7,942,425	-	-	7,942,425
Accruals	22	10,674,077	-	-	10,674,077
Other creditors and provision	22	5,730,694	-	-	5,730,694
Zambia National Commercial Bank	19	-	38,706,665	116,553,290	155,259,955
Stanbic bank Zambia Limited - leases	20	-	1,611,789	4,871,911	6,483,700
Employee terminal benefits	21	-	6,011,353	74,345,850	80,357,203
		61,045,022	**46,329,807**	**195,771,051**	**303,145,880**
31 December 2016					
Assets					
Bank and cash balances	16(a)	44,926,923	-	-	44,926,923
Held to maturity investments	15	23,272,342	108,082	-	23,380,424
Staff loans and advances	14	1,914,975	1,580,537	200,981	3,696,493
Deposits and p repayments	14	2,508,713	-	-	2,508,713
Trade receivables	14	108,623,321	-	-	108,623,321
		181,246,274	**1,688,619**	**200,981**	**183,135,874**
31 December 2015					
Liabilities					
Trade payables	22	36,229,963	-	-	36,229,963
Other payroll accruals	22	6,360,050	-	-	6,360,050
Other payables	22	3,049,502	-	-	3,049,502
Zambia National Commercial Bank-loan		-	44,785,647	159,682,207	204,467,854
Stanbic Zambia Limited -lease	20	-	3,711,186	2,544,593	6,255,779
Zambia National Commercial Bank	16(b)	1,163	-	-	1,163
Stanbic Zambia Limited	16(b)	401,658	-	-	401,658
Employee terminal benefits	21	-	13,190,400	70,673,590	83,863,990
		46,042,336	**61,687,233**	**232,900,390**	**340,629,959**

	1 to 3 months	3 months to 1 year	More than 1 year	Total
31 December 201 5	K	K	K	K
Assets				
Bank and cash balances	40,682,407	-	-	40,682,407
Staff loans and advances	5,306,781	-	-	5,306,781
Trade receivables	99,497,407	-	-	99,497,407
Held to maturity financial assets	-	104,569	-	104,569
Deposit and p repayments	7,148,147	-	-	7,148,147
	1 52,63 4,742	**104,569**	-	**1 52,739, 311**

Fair value measurements

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

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

– Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange).

– Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

– Level 3 — Inputs for assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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

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

			2016		2015
	Note	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets		K	K	K	K
Bank and cash balance	15(a)	**44,926,923**	44,926,923	40,682,407	40,682,407
Held to maturity investments	15	**23,380,424**	23,380,424	104,569	104,569
Trade receivables	14	**108,623,321**	108,623,321	99,497,407	99,497,407
Receivables from employees	14	**3,696,493**	3,696,493	5,306,781	5,306,781
Deposits and prepayments	14	**2,508,713**	2,508,713	7,148,147	7,148,147
Financial liabilities					
Trade creditors	22	**36,697,826**	36,697,826	36,229,963	36,229,963
Trade receivables -credit balances	22	**7,942,425**	7,942,425	12,928,643	12,928,643
Employee terminal benefits	21	**80,357,203**	80,357,203	83,863,990	83,863,990
Other payables and provisions	22	**5,730,694**	5,730,694	3,049,502	3,049,502
Accruals	22	**10,674,077**	10,674,077	6,360,050	6,360,050
Stanbic bank Zambia Limited		**-**	-	401,658	401,658
Zambia National Commercial Bank Plc		**-**	-	1,163	1,163
Zambia National Commercial Bank	19	**155,259,955**	155,259,955	204,467,854	204,467,854
Stanbic bank Zambia Limited	20	**6,483,700**	6,483,700	6,255,779	6,255,779

25 Financial risk management

Exposure to credit risk

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

	Note		
Carrying amounts			
Trade receivables	14	1 08,623,321	99,497,407
Cash and cash equivalents	16(a)	44,926,923	40,682,407
		153,550,244	1 40,179,814

Impairment losses

The aging of trade receivables at the reporting date was:

			2016			2015
	Gross	Impairment	Net	Gross	Impairment	Net
Current	15,075,550	-	15,075,550	1,940,645	-	1,940,645
Past due 0 -30 days	1,296,731	-	1,296,731	3,153,681	-	3,153,681
Past due 31 -90 days	1,992,083	-	1,992,083	199,442	-	199,442
Past due 91 -20days	411,514	-	411,514	11,275,106	-	11,275,106
Past due 121 -180 s	192,551,720	(102,704,277)	89,847,443	1 56,952,734	(74,024,201)	82,928,533
	211,327,598	(102,704,277)	1 08,623,321	173,521,608	(74,024,201)	99,497,407

	2016 K	Restated 2015 K
Movement in impairment provision		
At beginning of the year	74,024,201	40,582,784
Understatement of 2015 bad debts provisions	-	25,927,371
Charge during the year	28,680,076	7, 514,046
At year end	102,704,277	74,024,201

26 Related party transactions

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

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

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

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

(a) Key management compensation

Salaries and other short term employee benefits	6,719,035	3,743,751
Termination benefits	12,171,456	13,521,412
(c) Directors fees	1,840,378	1,357,840

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

27. Prior year adjustment

	Grants	Debt impairment provision	Trade receivables	Accumulated profit and (loss)
	K	K	K	K
Balance as at 31 December 2015 as previously reported	106,547,227	48,096,830	178,658,240	21,848,214
Being 2015 credit notes passed (i)	106,547,227	48,096,830	5,136,632	(5,136,632)
Reversal of over amortised EU grant (ii)	141,566	-	-	(141,566)
Being under provision 2015 bad debts (iii)	-	25,927,371	-	(25,927,371)
	141,566	25,927,371	5,136,632	(31,20 5,569)
Restated balance as at 31 December 201 5	**106,688,793**	**74,02 4,201**	**173,521,608**	**(9,35 7,355)**

Prior year adjustments relate to

(i) Credit notes issued in 2016 relating to 2015 invoices
(ii) Over-amortisation of EU grant
(iii) Understatement of 2015 bad debts provisions

28. Contingent liabilities

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

29. Capital commitments

	K	K
Approved by the board but not contracted	-	-

30. Events subsequent to the reporting date

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

31. Other operating expenses

Printing and stationary	**5,020,127**	5,133,263
Books and periodicals	**33,712**	349,887
Subscription –Company	**436,062**	117,065
Office expenses	**1,135,445**	523,949
Postage	**302,259**	133,926
Telephone and internet	**2,220,218**	1,947,031
Cleaning materials	**1,001,609**	887,810
Travel expenses –local	**2,915,346**	2,870,828
Travel expenses –foreign	**1,823,084**	2,094,720
Electricity	**2,937,632**	2,696,622
Water	**298,950**	468,375
Land rates	**4,038,152**	1,260,034

Hire of transport	**5,121,717**	4,928,505
Aviation security	**4,043,007**	115,476
Security expenses	**1,417,898**	1,141,008
Cargo and mail	**10,441,696**	4,987,019
Cleaning services	**1,619,215**	2,206,553
SITA charges	**12,389,379**	8,042,696
Insurance	**337,273**	431,879
Staff uniforms	**1,191,774**	177,507
Protective clothing	**333,012**	597,361
Balance carried forward	**59,057,567**	41,111,514

Brought forward	**59,057,567**	41,111,514
Firefighting form	**1,583,412**	204,250
Motor vehicle expenses	**3,579,391**	3,236,662
Repairs and maintenance	**28,074,158**	8,576,866
Consultancy	**25,390**	64,610
Legal	**135,900**	84,825
External audit fees	**299,999**	573,071
Directors` fees and expense s	**1,840,378**	1,357,840
Entertainment	**124,490**	105,915
Marketing	**11,403**	309,008
Corporate promotions and advertising	**4,198,748**	1,695,555
Donations	**434,525**	851,452
Tender evaluation expenses	**192,627**	121,627
Licensing	**134,830**	2,412
Specialised Government services	**255,964**	839,335
VAT expenses	**(78,962)**	23,162
Sundry expenses	**226,810**	1,464,506
Bank charges	**1,118,851**	747,714
IATA charges	**6,706,685**	5,368,135
Debt impairment provision	**33,670,613**	7,514,046
Council of air navigation services organisation	**37,500**	-
Greenfield Airport expense	**1,202,821**	-
Mulungushi VIP expense	**577,578**	-
Exchange loss	**-**	36,348,832
Total expenditure	**143,410,678**	**110,601,336**

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

	2016 K	2015 K
Revenue	**416,319,596**	322,443,199
Other income		
Capital grants amortised	**9,217,778**	5,229,089
Sundry income	**5,006,194**	3,171,628
Debt impairment provision write back	**4,990,537**	-
Total other income	**19,214,509**	8,400,717
Finance costs		
Interest on loans	**19,990,204**	18,918,003
Interest income on short term investments	**(3,284,948)**	(12,598)
Exchange loss	**4,664,725**	-
Net finance costs	**21,369,981**	18,905,405
Less:		
Expenditure		
Depreciation	**36,230,226**	41,092,639
Employees costs		
Salaries and wages	**119,685,044**	100,182,670
Other staff costs	**34,019,218**	24,286,173
	153,704,262	124,468,843
Expenditure (Refer to pages49 & 50 for details)	**143,410,678**	110,601,336
Profit before tax	**80,818,958**	45,775,692

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