Zambia AIRPORTS Corporation Limited

ANNUAL REPORT 2019

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Acronyms

ACI	Airport Council International
AIP	Aeronautical Information Publication
AIMS	Aeronautical Information Management System
AIS	Aeronautical Information System
ANS	Air Navigation Services
APS	Airport Services
ASQ	Airports' Service Quality
CAA	Civil Aviation Authority
CIA	Copperbelt International Airport
CMA	Continuous Monitoring Approach
CSR	Corporate Social Responsibility
GNSS	Global Navigation Satelite System
GRZ	Government of the Republic of Zambia
HMNIA	Harry Mwaanga Nkumbula International Airport
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
KKIA	Kenneth Kaunda International Airport
MCT	Ministry of Communication and Transport
MET	Metreology
MFU	Mfuwe
PSC	Passenger Service Charge
SABS	South Africa Bureau of Standards
7NDP	Seventh National Development Plan
SMKIA	Simon Mwansa Kapwepwe International Airport
USAP	Universal Security Audit Programme
VHF	Very High Frequency
WGS	World Geodetic System
ZACL	Zambia Airports Corporation Limited
ZASTI	Zambia Air Service Training Institute

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.

Strategic Priority Areas

The Corporation commits to focus on achieving the following objectives:

- Provision of world class airport and air navigation facilities
- Provision of world class airport and air navigation services
- Ensure commercial viability and sustainability of the Corporation
- Enhance aviation security and safety at all airports
- Improve operational efficiency of the Corporation
- Enhance employee engagement
- Establish KKIA as a regional air passenger and cargo hub
- Change management

Core Values

1.0. Integrity

The Corporation commits to conduct its business in a honest, just and equitable manner and demands that employees conduct themselves accordingly in the performance of their duties. The Corporation's employees must show integrity, which is the basis on which trust is built by our customers, suppliers and society in general. Integrity is also the basis upon which the confidence placed by each one of us in our colleagues is anchored.

2.0. Reliability and Sustainability

The Corporation commits to providing a consistent and quality service. The Corporation also undertakes that this will be done in accordance with the commercial, social and environmental dictates.

3.0. Safety and Security

The Corporation commits to ensuring safety and security to passengers and aircraft as first priority. In its dealings with all stakeholders, the Corporation's processes and procedures shall take into account utmost consideration for safety and security of passengers and aircraft.

4.0. Employee Engagement

The Corporation's success highly depends on its human capital, which is expected to exhibit a high level of energy, commitment and sense of belonging. The Corporation will strive to develop human capital towards meeting their full potential in a conducive working environment.

5.0. Innovativeness

The Corporation shall create an environment for creativity and innovation for new ideas, technology and processes in the pursuit of delivering quality services.

Board Members

1. **Mr. Milingo Lungu**
Chairperson

2. **Ms. Prisca Mwansa Chikwashi**
Vice Chairperson

3. **Mr. Moonga Mumba**
Member

4. **Mr. Sunday Chanda**
Member

5. **Ms. Patricia Pakatamanja Zimba**
Member

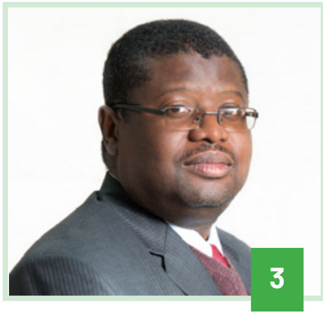
6. **Mr. Mukuli Chikuba**
Member

7. **Mr. Nicholas Chikwenya**
Member

8. **Mr. Charles Mushota**
Member

9. **Mr. Fumu Mondoloka**
Managing Director

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



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Statement By The Board Chairperson

Mr. Milingo Lungu

I am pleased to share with you the Corporation Annual Report for the year ended 31 December 2019 as required by the Public Finance Management Act of 2018. The year 2019 marked the third year of the implementation of the 2017-2021 Strategic Plan in which the Corporation aspires to grow the non-aeronautical income to 15% of total income by year 2021. To achieve this objective, the Corporation has heavily invested in commercial infrastructure and related activities namely, the cargo terminal facilities, hotels, a shopping mall, plus new terminal facilities among other initiatives. The Organization has restructured by recruiting a Commercial Director to spearhead this objective. The growing of the non-aeronautical revenue will rebalance the Corporation's revenue portfolio giving it better ability to the mitigate the shocks that aeronautical income is susceptible to from external factors.

The Corporation's strategic goals are anchored on the Seventh National Development Plan 2017-2021 aimed at attaining the long-term objectives of becoming a prosperous middle-income country by 2030, being an employer of choice in the aviation industry and ploughing back to Government Treasury by way of paying dividends. The 7NDP identifies the transport sector as an enabler for the continued diversification of the economy through the promotion of agriculture, industrialization and tourism.

During the year the Corporation experienced a downturn in passenger numbers arising from global challenges the aviation industry was facing; this adversely affected the aeronautical income as Passenger Service Charge (PSC) accounts for 30% of aeronautical revenue. The other factor arises from the depreciation of the local currency against other convertible currencies, which resulted in air fares becoming more expensive. However, the Corporation benefited from the relative depreciation of the local currency as foreign denominated income was being converted to local currency at a rate that was higher than the budgeted rate.

Business Growth and Performance

Against this backdrop, the Corporation recorded a profit after tax of K114 million, while operating turnover for the year was K591 million, which was 20% above the previous year. In terms of passenger numbers, a total of 1,808,247 passed through all the airports, this was 6% below last year. Out of the total passenger numbers, 20% accounted for domestic passengers whilst 80% were international passengers.

The Corporation progressed the growing non-aeronautical revenue streams by diversifying our business activities that will be achieved through

Special Purpose Vehicles (SPVs) in order to improve the ratio of non-aeronautical revenue to total revenue. Together with my Board Colleagues, I have fully supported the Management Team's drive to improving resilience to external shocks while helping ensure excellent governance and highest ethical standards.

Our Investments

The Corporation continues to invest in modern equipment and infrastructure to service our clients. KKIA was at 87% completion while CIA was at 62.3% as at 31 December 2019. The Corporation is investing in modern equipment to position itself as regional passenger and cargo hub.

On Course for Future Success

We continue to work closely with key partners to deliver solutions that improve customer experience and drive our business forward. In the year we subscribed to ACI's ASQ as one of the avenues to get feedback on customer experience, in order for the Corporation to address its deficiencies. For investment in human capital so as to position the Corporation for future challenges, the Corporation concluded, the Reorganization and Job Evaluation Exercise which was carried out by KPMG.

As the Board, we continue to provide strategic oversight on the implementation of the Corporations Strategic Plan. We will continue to support the communities we operate in, not just in giving back but also in building a better tomorrow for the next generation. The Corporation contributed to various social responsibility activities and will continue to support the communities we operate in.

The results of the continued effort to deliver on our mandate as a Corporation were evident by the performance of the Corporation in streamlining the costs amidst a decline in revenue. As a Corporation, we are ready to pursuing opportunities and maintaining the trajectory for future success.

I would like to take this opportunity to thank the Board, Management and Staff for the continued commitment in discharging the mandate of the Corporation.

Management

First half of 2019

1. **Mr. Fumu Mondoloka**
Managing Director

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

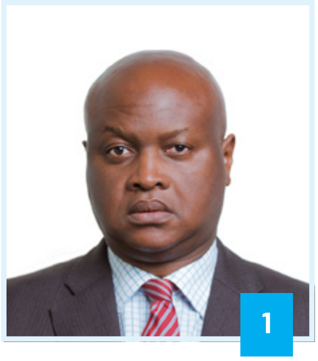
3. **Mr. Tapiwa Chikumbu**
Director Finance
(Ended July 2019)

4. **Mr. Gilford Malenji**
Director Strategy and Corporate Planning

5. **Mr. Frank Chinambu**
Director Air Navigation Services
(Ended July 2019)

6. **Mr. Friday M. Mulenga**
Acting Director Airport Services
(Ended August 2019)

7. **Mr. Patrick Tembo**
Acting Director Human Resources
(Ended August 2019)



Management

Second Half of the Year

1. **Mr. Fumu Mondoloka**
   Managing Director

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

3. **Ms. Gillian Mazimba**
   Acting Director Finance
   (Started July 2019)

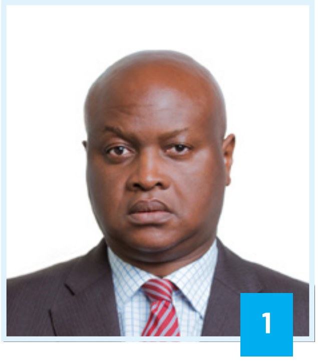
4. **Mr. Gilford Malenji**
   Director Strategy and Corporate Planning

5. **Mr. Azzaam Bvulani**
   Director Airport Services
   (Started August 2019)

6. **Mr. Ariel Phiri**
   Acting Director Air Navigation Services
   (Started July 2019)

7. **Mr. Martin Chasha**
   Director Human Resource
   (Started August 2019)

8. **Mr. Brian Chintu**
   Director Commercial Services
   (Started August 2019)



Airport Managers

First Half of 2019

1. **Mwamba Nakambale**
Acting Airport Manager
Kenneth Kaunda International Airport
(January-August 2019)

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. Sikanyeela**
Airport Manager
Harry Mwaanga Nkumbula
International Airport

Second Half of 2019

1. **Friday M. Mulenga**
Airport Manager
Kenneth Kaunda International Airport
(Resumed August 2019)

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. Sikanyeela**
Airport Manager
Harry Mwaanga Nkumbula
International Airport

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Managing Director's Overview

Mr. Fumu Mondoloka

The year 2019 was a challenging year for the Aviation industry globally and Zambia was not spared. The Corporation recorded a decline in passenger numbers which predominately affected lines of revenue streams accounting for an average of 61% of total revenue. The Corporation consequently reigned in expenditure and derived benefit from the exchange rate to deliver an improvement on profit before tax of K134 million despite the challenges the industry faced in the year.

The Corporation continued to implement the Strategic Plan 2017 to 2021 with major focus on investments in the growth of non- aeronautical revenue to sustain its operations in the medium to long term as well as the construction and modernization of infrastructure and equipment.

The Corporation also achieved several strategic milestones amidst all these challenges. Notable milestones achieved include the following:

- ISO-9001:2015 Re-Certification by SABS
- Successfully implementing the ASQ with ACI
- Selection of the hotel operator for the KKIA project was concluded
- KKIA and HMNIA underwent an ICAO USAP – CMA Aviation Security State Audit
- The KPMG organization and job review exercise was concluded

Delivering on our Commitments

We made tangible progress against each of our strategic priorities as follows:

a. Provision of World Class Airport and Air Navigation Services Facilities

The Corporation is investing in modern ground handling equipment to improve the efficiency of processing both passengers and airlines. The Corporation has continued to invest in air navigation communication and surveillance equipment with the view of enhancing communication and safety across the Zambian Airspace.

b. Ensuring Commercial Viability and Sustainability of the Corporation

The Corporation strives to realise a healthy return on capital employed. To supplement aeronautical revenue which is susceptible to external shocks, the Corporation is broadening the revenue base by investing in projects that will increase contribution of non-aeronautical revenue to 15% of total revenue by the end of the Strategic period 2017-2021.

c. **Enhancing Aviation Security and Safety at all airports**

The Corporation has invested in security related equipment as well as human capital to enable it curb any security incidences and threats to safety. Several security staff underwent security related training in the year.

d. **Improving Operational Efficiency of the Corporations**

To enhance operational efficiency, the Corporation is investing in an Enterprise Resource Planning (ERP) system. This will underpin the automation of all the existing manual systems in order to enhance business performance as well as minimize income leakage, reduce operational costs and ultimately contribute to revenue maximization.

e. **Enhancing Employee Engagement**

The Corporation carried out a Re-organization and Job Evaluation exercise with a view to aligning existing jobs to the emerging demands of the organization. Implementation of this project will set the organization's construct to one that will be readily responsive to market demands. The Corporation will invest in staff training and human capital development to position staff to meet future challenges.

Culture and Sustainability

The Corporation is making good progress in improving the day-to-day experience of our customers, other stakeholders and the community in which we operate in. During the year, we contributed K556,128.00 towards Corporate Social Responsibility (CSR) to various activities such as traditional ceremonies, cultural heritage, health, orphans and vulnerable children and education.

In my conclusion I would like to thank the Board for the guidance they provided to the Corporation, the Ministry of Transport and Communication for the support rendered and indeed to Management and Staff for the tireless effort they contributed towards achieving the milestones recorded by the Corporation.

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Statement On Corporate Governance

The Corporation's governance structures are premised on transparency, responsibility, accountability, integrity fairness and social responsibility. The primary responsibility of the Board is to provide governance and oversight functions to the Corporation in accordance to the laws and regulations as enshrined in the Aviation Act , and dictates of the CAA and ICAO.

The Board has constituted Committees to assist in running its functions; Consequently the Board has three Committees as follows:

3.1. Appointments, Remuneration & Human Relations Committee

The Committee makes recommendations to the Board on matters relating to staff recruitment, appointments, staff emoluments and human resources' policy.

3.2. Audit, Risk and Compliance Committee

The Committee considers and makes recommendations to the Board on matters arising from Internal Audit findings, and internal controls concerns raised in the Management Letter by External Auditors, assessment of systems processes, procedures and risk management of the Corporation.

3.3. Finance and Capital Projects Committee

The Committee makes recommendation to the Board on any appropriate matters relating to the financial performance of the Corporation as well as investments to be undertaken in capital intensive projects.

Board Training/Workshop/Activities

The Board attended the 26th African Corporate Governance Conference and Workshop held in Cape Town, South Africa from 25th - 29th March 2019.

The Board and Management also undertook an Airport Benchmarking exercise to Airports' Company of South Africa (ACSA)'s airports at Cape Town International Airport (CTNIA) and OR Tambo International Airport (ORTIA) on 25th March and 1st April 2019. Furthermore, the Board participated in the World Aviation Conference in South Korea from 5th to 7th November 2019.

Board and Committee Meetings

The Board had four (4) scheduled Meetings and 7 Special Meetings held during the year, the attendance was as follows:

Name	Meetings attended Scheduled	Special	Total No. of Meetings attended
Mr. Milingo Lungu - Board Chairperson	4	7	10
Ms. Prisca Mwansa Chikwashi – Vice Chairperson	4	7	11
Mr. Moonga Mumba	4	7	11
Mr. Sunday Chanda	4	7	11
Ms. Patricia Pakatamanja Zimba	4	7	11
Mr. Charles Mushota	4	7	10
Mr. Mukuli Chikuba	4	7	11
Mr. Nicholas Chikwenya	4	7	11
Mr. Fumu Mondoloka – MD ZACL	4	7	11

Appointments, Remuneration and Human Relations Committee

Membership and attendance

There were 4 scheduled meetings and 6 Special Meetings for the year which were attended as follows:

Name	Meetings attended Scheduled	Special	Total No. of Meetings attended
Ms. Prisca Mwansa Chikwashi - Chairperson	4	6	10
Mr. Sunday Chanda	4	6	8
Mr. Nicholas Chikwenya	4	6	10
Mr. Thomas Matandala	4	6	10
Mr. Moffat Nyirenda	4	6	10
Mr. Fumu Mondoloka – MD ZACL	4	6	10

Finance and Capital Projects Committee

Membership and attendance

There were 4 scheduled meetings and 2 Special Meeting during the year which were attended as follows:

Name	Meetings attended Scheduled	Special	Total No. of Meetings attended
Mr. Charles Mushota – Chairperson	4	2	6
Mr. Richard John Ndhlovu	4	2	5
Mr. Mukuli Chikuba	4	2	6
Mr. Fumu Mondoloka – MD ZACL	4	2	6

Audit, Risk and Compliance Committee

Membership and Attendance

There were 4 scheduled meetings and 1 special meetings for the year which were attended as follows:

Name	Meetings attended Scheduled	Special	Total No. of Meetings attended
Mr. Moonga Mumba - Chairperson	4	1	5
Mr. Paul Chintu	4	1	5
Mr. Job Lusanso	4	1	5
Ms. Patricia Pakatamanja Zimba	4	1	5
Mr. Moffat Nyirenda	4	1	5
Mr. Conwell Fungai Musana	4	1	5

4

Performance Of The Aviation Sector

Global Performance

According to the IATA Press Release No.5 of February 2020, economic performance in 2019 was weaker compared to 2018. This decline is basically arising from weaker global GDP growth of 2.5% as compared to 2.7% projected. The industry also recorded lower passenger numbers and cargo demand, this is commensurate to weaker revenue growth as passenger yields fell by 3% and cargo yields dropped by 5% compared to 2018.

Slowing economic growth resulted from trade wars, geographical tensions and social unrest plus the continuing uncertainty over Brexit, these created a tougher than anticipated business environment for airlines. The effects of the Boeing 737 MAX grounding contributed to low load factors for the airlines.

International Passenger Markets

International passengers recorded a 4.7% growth in 2019, down from 7.1% annual growth achieved in 2018.

Asia-Pacific – Airlines traffic increased by 4.5% in 2019 however, this was a major decline when compared to 2018 which recorded 8.5% growth. The decline was attributed to the US-China trade war as well as weakening business confidence and economic activity.

European Carriers – Airlines recorded a 4.4% traffic rise in 2019, although this was down from 7.5% annual growth in 2018. This result is attributable to generally slowing economic activity, declining business confidence compounded by industrial disputes, Brexit uncertainty and the collapse of a number of airlines.

Middle Eastern Airlines – They had a shaky start with low numbers but they picked up towards year end and growth closed at 6.4% in December 2019.

North American Airlines – Traffic climbed by 3% in 2019 compared to 7.5% annual growth in 2018 amid low economic activity and lower business confidence.

African Airlines – The continent led all regions with a 5% demand increase, down from 6.8% recorded in 2018. Airlines in the region benefited from a generally supportive economic backdrop in 2019 as well as increases in air transport connectivity, albeit off a lower base.

In summary, 2019 was a difficult year for the aviation industry.

Local Performance

The two local carriers, Proflight Zambia and Mahogany Air continued to dominate the domestic market. Global reduction in passenger numbers had a spill over to the local market, domestic passenger numbers declined by 7.2% compared to 2018, this was mainly attributed to the reduction in Government officials travelling arising from fiscal measures instituted in the period. This was also coupled with the devaluation of the local currency against other convertible currencies which resulted in air fares becoming expensive for the mid-income earners.

4.1. Corporate Social Responsibility

Zambia Airports Corporation Limited (ZACL) understands that providing a better quality of life in the communities in which we operate has a positive impact and leaves an amiable association in the hearts of our communities.

Through the promotion of social development initiatives, we contribute to inclusivity among citizens who may otherwise feel marginalized.

As a good corporate citizen and in fulfilling our social obligations, our Corporate Social Responsibility (CSR) Strategy over the past few years has been to focus on three primary areas, namely Education, Orphans and Vulnerable Children and Health through Water and Sanitation.

a. Education

Education is a powerful agent of change and plays a vital role in the development of a human being. It is a catalyst that greatly assists families living below the poverty line to enjoy a better quality of life. At ZACL, we believe in ensuring that children of both genders deserve an equal opportunity. With that in mind, ZACL has continued to enjoy a long-standing partnership with the Zambian Association of Literacy (ZALIT). In the year under review, this partnership saw the launch of the Literacy Insaka Project which seeks to improve literacy proficiencies using narratives told from both visual and audio sources, in both resource and non-resource constrained areas.

b. Orphans & Vulnerable Children

Orphans and Vulnerable Children have unique needs and challenges as they negotiate their way through the hardships of the world to find themselves a place in society. In partnership with Habitat for Humanity Zambia (HFHZ), the Corporation continues to insitute positive changes in the lives of the less fortunate by constructing shelters and giving them a place to call home. ZACL also identifies and provides essentials to facilities and institutions looking after orphans and vulnerable children throughout the year. The Corporation also arranges special Christmas visits for these children to our international airports which helps to open their minds to numerous possibilities.

c. Health

Our partnership with Habitat for Humanity Zambia (HFHZ) has continued to yield positive results with the provision of clean drinking water to communities in the proximity of our international airports. We recognise the importance of providing clean water to affected communities as it is vital to their health and general wellbeing.

The Corporation also renders support to numerous health institutions and causes including to the Staff Wellness Program which has continued to run smoothly with regular Health and Wellness services being availed to our staff for their convenience.

d. Gender Equality

Zambia Airports Corporation Limited is an advocate for female empowerment through various causes such as access to education and health care. In honour of International Women's Day, each year the Corporation identifies an NGO working with women and girls to combat issues that directly affect their advancement. Gender equality is fundamental to a prosperous and productive society.

e. Cultural Heritage

The Corporation continues to be a champion of cultural preservation through sponsorship of numerous Zambian traditional ceremonies. Being a proud Zambian organisation, we recognise the importance of ensuring our cultural practices are sustained for passing on from generation to generation.

f. Awards and Accolades

Zambia Airports Corporation Limited received the CSR Award for Community Impact at the 2019 Inaugural Zambia National Responsible Businesses and CSR Awards.

In the year under review, the Corporation made donations totalling ZMW 556,128.00 towards various causes under the CSR gambit including youth education, gender equality, health through water and sanitation as well as cultural heritage.

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Corporate Planning And Strategy Unit

Mid-Term Strategy Review

In the period under review, the Corporation updated the 2017 to 2021 Strategic Plan to incorporate the new strategic realities. In particular the huge infrastructure development, the decision by the shareholder, the Government of the Republic of Zambia to transfer the management of Seven (7) Provincial and Three (3) Strategic Aerodromes to Zambia Airports Corporation and the pronouncement of the intent of positioning Kenneth Kaunda International Airport as a regional air transport and cargo hub.

The revision of the Strategic Plan was therefore intended to give a renewed focus and improve on the execution and monitoring of the company's performance against annual set objectives and long-term milestones. The revised strategic plan is anchored on a renewed strategic direction for the remaining period 2019 to 2021 with focus on the following four pillars of excellence

a. Profitable and Sustainable Business

The Corporation commits to be profitable by generating sufficient revenue to sustain its operations and deliver shareholder value thereby contributing to the national economic development. This will also require rapidly growing non-aeronautical revenue for long term business sustainability.

b. Aviation Security and Safety for airport Users

The Corporation commits to provide a safe and secure operating environment for all airport users by adhering to and enforcing safety, security and regulatory standards.

c. Customer Service Excellence

The Corporation commits to reorienting itself to become a more customer responsive organization and delivering passenger-valued services at all the designated airports. This will entail improving the ambience of the airport facilities including the look and feel of its airport surroundings. The Corporation also plans to address the key internal capability inadequacies by streamlining operational processes and procedures as well as changing employee mindsets and attitudes to help meet customer expectations.

d. Operational Excellence

The Corporation commits to continually improve airport facilities, automating key processes and procedures, replacing old equipment with modern and more efficient ones and ensuring prudent financial management and productivity.

However, the strategic key focus areas continue to be on the following:

- Provision of high-quality airport services that satisfies the expectations of our stakeholders;
- Provision of safe, efficient, reliable and expeditious air navigation services that satisfies the expectations of our stakeholders;
- Provision of suitable infrastructure that supports quality service delivery;

- To achieve sound financial returns that promotes a commercially viable entity;
- To positively contribute to our social and national economic development; and
- Be the employer of choice in the Aviation Industry.

In order to attain the set strategic objectives, the following projects were undertaken by the Corporation;

i. Investment in a new shopping mall, new cargo handling facility and a hotel to increase non-aviation revenue at KKIA.

ii. Construction of the KKIA terminal and related buildings at a cost of US$ 360millon. The project was at an average of 87% completion stage as at the end of 2019.

iii. The construction of the Copperbelt international airport at a cost of US$397million. The project was at an average of 58% completion stage as at end of 2019.

iv. Modernization and upgrading of air navigation equipment and in particular the installation of the new radar system and navigation aids.

Income Generating Units

There are three income generating in units in the Corporation that contributes to the total revenue generated, these are as follows:

- Air Navigation Services
- Airport Services
- Commercial Services

The contribution to total revenue generated during 2019 was in accordance to a ratios of 14% from Air Navigation Services, 78% from Airport Services and 8% from Commercial Services. Air Navigation Services and Airport Services income is predominately aeronautical income while Commercial Services accounts for non-aeronautical income. The Corporation has a strategic objective of growing the non-aeronautical income to a contribution of 15% of total revenue by end of 2021.

6

Air Navigation Services

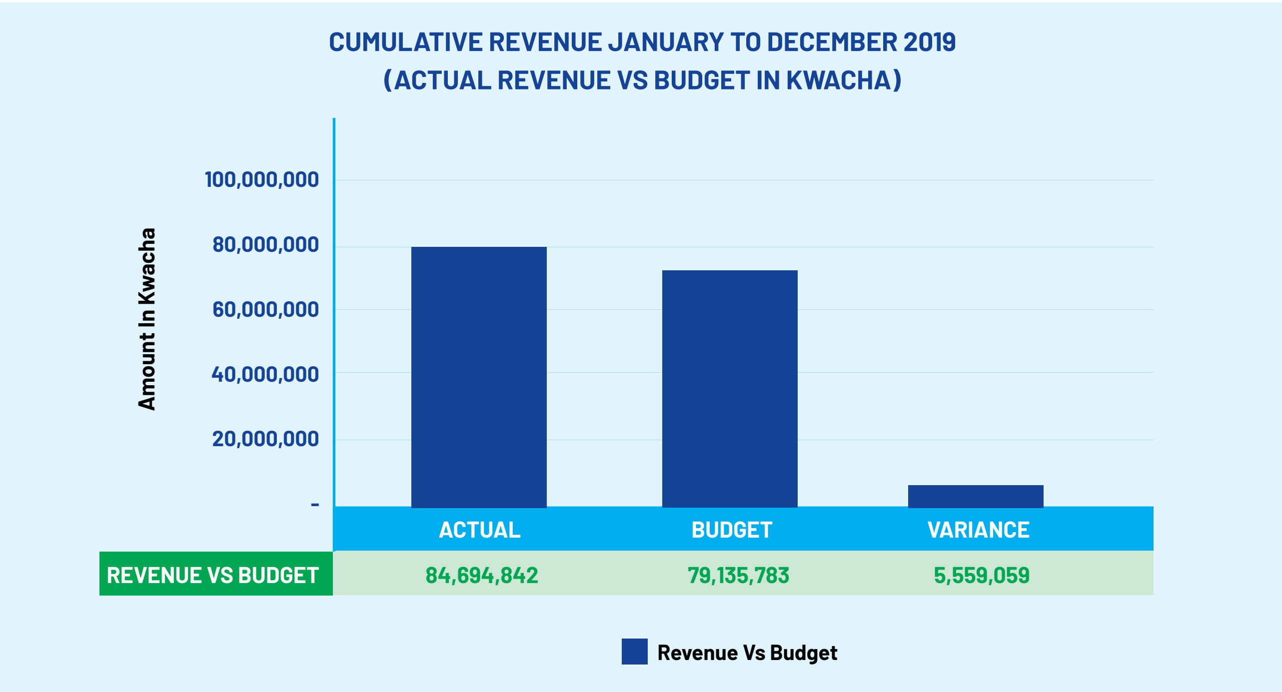
The responsibility of the Air Navigation Services Division is to provide Air Navigation Services throughout the Zambian Air space. The key focus areas of the division are as follows:

- Safety
- Capacity building of staff
- Cost Effectiveness
- Efficiency
- Environmental Sustainability

The division has three main sources of revenue;

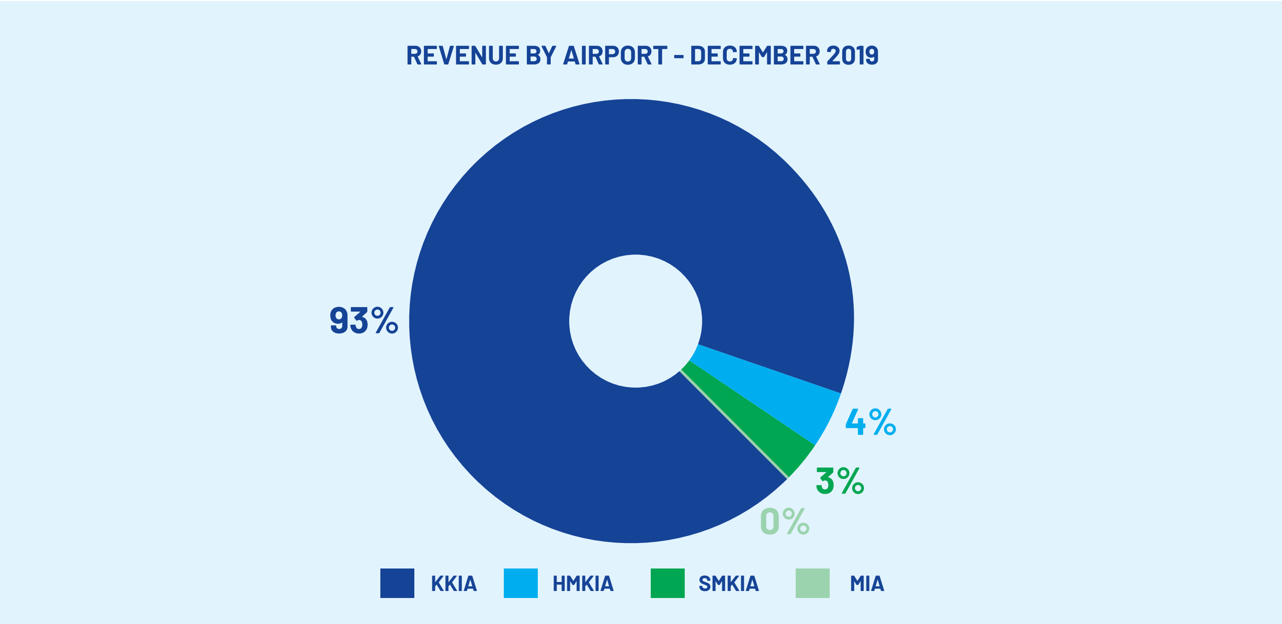
- Overflight charges
- International Navigation fees
- Domestic Navigation fees

Overflight charges account for 70% of the Air Navigation income while 30% relates to Navigation fees. During the year under review, the Division recorded revenue of K84.7 million compared to K66.6 million in 2018 this amounted to an increase of 27% as compared to the previous year. This growth is mainly arising from the depreciation of the local currency against other convertible currencies. The graph below shows the consolidated revenue in the period under review.



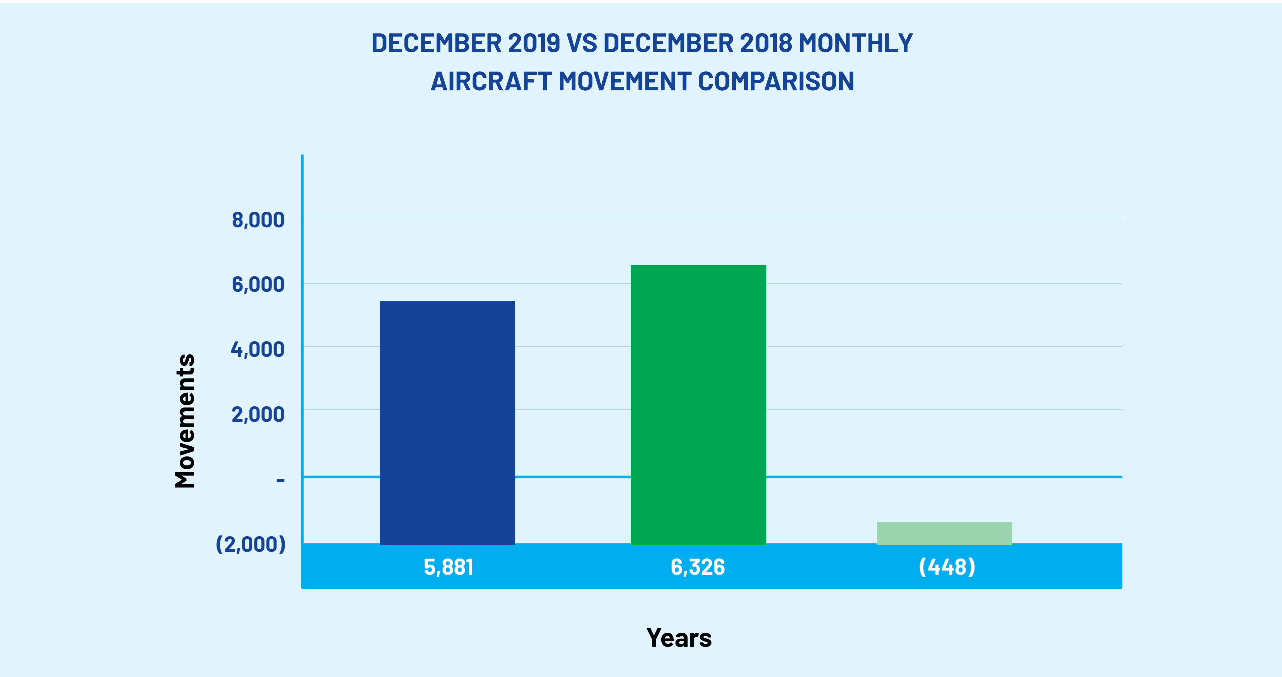
	ACTUAL	BUDGET	VARIANCE
REVENUE VS BUDGET	84,694,842	79,135,783	5,559,059

Revenue By Airport



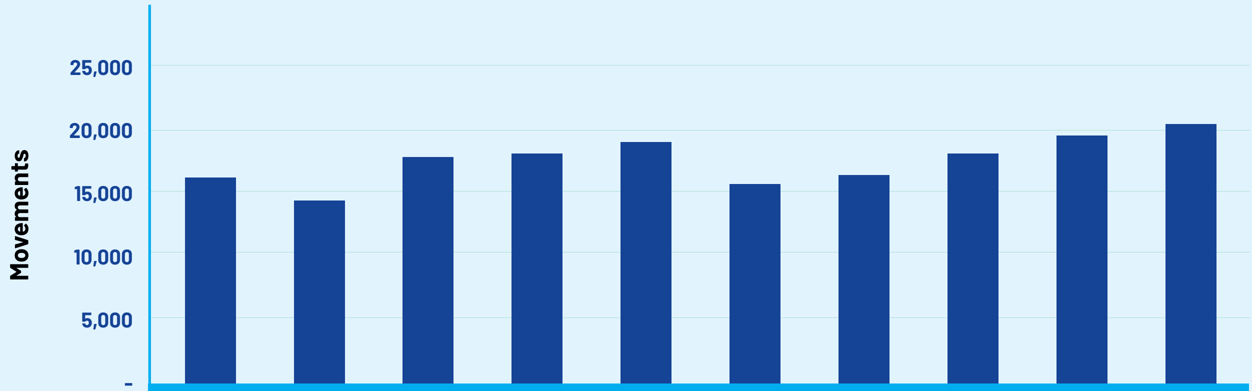
Aircraft movement

In terms of aircraft movement, the Corporation recorded 5,881 movements against 6,329 in 2018, a reduction of 448 which is 7% below what was recorded in 2018. The graph below analyses the aircraft movements.



Overflight aircraft movements trends January 2010 to December 2019 Year on Year

CUMULATIVE OVERFLIGHT AIRCRAFT MOVEMENTS
(JANUARY 2010 - DECEMBER 2019)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	DEC	DEC	DEC	DEC	DEC	DEC	DEC	DEC	DEC	NOV
	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD	YTD
MOVEMENTS	16,458	14,710	17,110	17,869	18,569	15,897	16,798	17,884	19,239	20,304

The Figure above shows overflight aircraft movements' pattern (trends) from January 2010 to December 2019.

7

Airport Services Division

The responsibilities of the Airport Services Division are as follows:

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

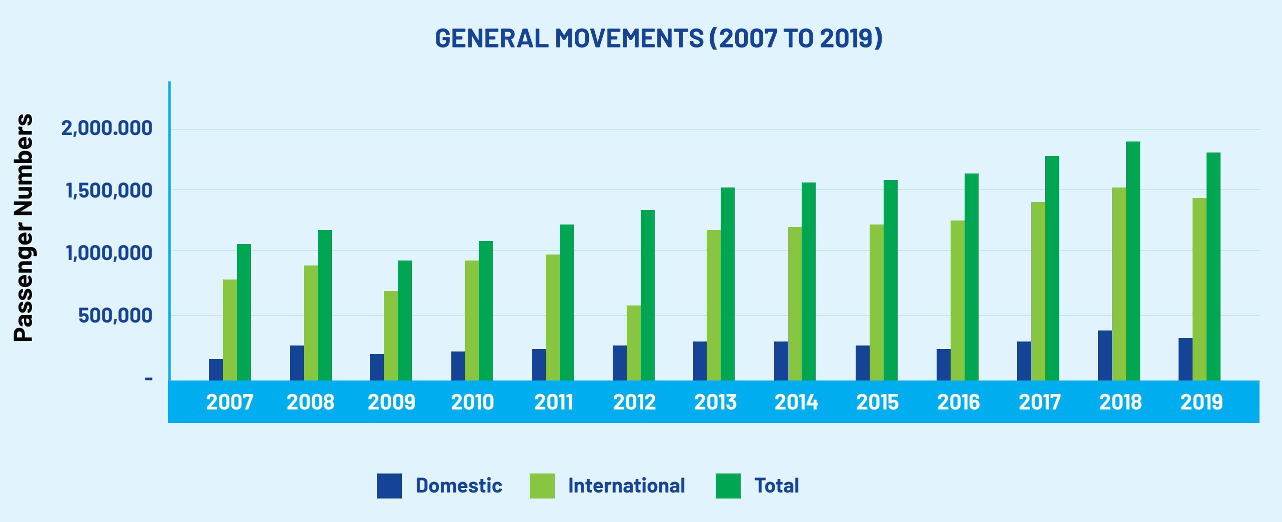
7.1. General Passenger Movement

In the year under review, a total of 1,808,247 commercial passengers passed through the four main airports namely Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe International Airports. When compared to the same period last year's 1,931,827 passengers, this was a 6.4% decline in passenger movements. In this context, commercial passengers include both arriving and departing passengers, transit passengers, domestic and international passengers.

Domestic passenger movements declined by 7.2% from 374,479 passengers in 2018 to 347,690 passengers in 2019. Similarly, international passenger movements declined by 6.2% from 1,557,348 passengers in 2018 to 1,460,557 passengers in 2019. Below is a table and graph showing passenger movements for the year under review and for the eleven preceding calendar years.

Airport	Domestic	% Change	International	% Change	Total	% Change
2008	258,549	41.77%	922,362	6.46%	1,180,911	12.60%
2009	167,661	-35.15%	745,202	-19.21%	912,863	-22.70%
2010	191,451	14.19%	894,796	20.07%	1,086,247	18.99%
2011	224,810	17.42%	992,861	10.96%	1,217,671	12.10%
2012	247,562	10.12%	1,114,551	12.26%	1,362,113	11.86%
2013	300,055	21.20%	1,243,089	11.53%	1,543,144	13.29%
2014	314,679	4.87%	1,259,563	1.33%	1,574,242	2.02%
2015	295,608	-6.06%	1,290,908	2.49%	1,586,516	0.78%
2016	274,344	-7.19%	1,347,919	4.42%	1,622,263	2.25%
2017	305,115	11.22%	1,443,085	7.06%	1,748,200	7.76%
2018	374,479	22.73%	1,557,348	7.92%	1,931,827	10.50%
2019	347,690	-7.15%	1,460,557	-6.22%	1,808,247	-6.40%

Source: *ZACL Airport Services*



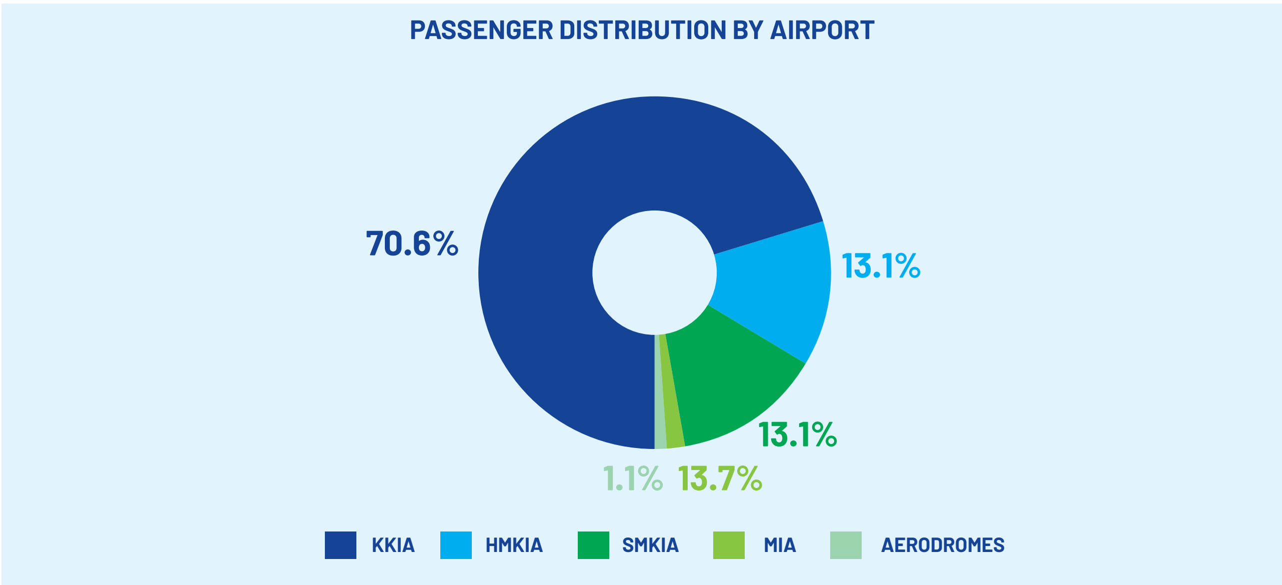
Source: *ZACL Airport Services*

On the other hand, Provincial and Strategic Aerodromes recorded a total of 19,885 commercial passengers during the period under review.

Stations	Passenger Movements
KKIA	1,289,801
SMKIA	238,603
HMNIA	250,300
MIA	29,543
AERODROMES	19,885
TOTAL	**1,828,132**

Source: *ZACL Airport Services*

Kenneth Kaunda International Airport handled the largest number of passengers being the main gateway to the country. The airport handled 70.6% of total general passenger movements in 2019. Harry Mwaanga Nkumbula, Simon Mwansa Kapwepwe and Mfuwe International Airports handled 13.7%, 13.1% and 1.6% of total passengers respectively. Provincial and strategic aerodromes accounted for 1.1%.



Source: *ZACL APS*

When compared to the same period last year, Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe International Airports declined by 4.9%, 17.6%, 2.5% and 1.7% respectively.

Below is a summary of passenger movement performance for 2019 compared to the previous year.

Passenger Movement Comparison (2019/2018)

Period	Category	KKIA	SMKIA	HMNIA	MIA	Total
2019						
January to December	Domestic	191,534	81,653	46,428	28,075	347,690
	International	1,098,267	156,950	203,872	1,468	1,460,557
	Total	**1,289,801**	**238,603**	**250,300**	**29,543**	**1,808,247**
2018						
January to December	Domestic	207,877	87,276	50,617	28,709	374,479
	International	1,147,823	202,131	206,040	1,354	1,557,348
	Total	**1,355,700**	**289,407**	**256,657**	**30,063**	**1,931,827**
Percentage Growth (%)						
	Domestic	-7.9%	-6.4%	-8.3%	-2.2%	-7.2%
	International	-4.3%	-22.4%	-1.1%	8.4%	-6.2%
	Total	**-4.9%**	**-17.6%**	**-2.5%**	**-1.7%**	**-6.4%**

Source: *ZACL Airport Services*

Notable endogenous and exogenous factors that affected the Company's cyclical performance, both positively and negatively, in 2019 where;

Positive

- Recently introduced international flights by Air Tanzania, Turkish Airlines, Martin Air Cargo and Proflight Ndola - Johannesburg route
- Promotional air fares and use of bigger planes by domestic operators such as Proflight
- Continued currency depreciation against major currencies (over 90% of revenues are US dollar denominated)
- Continued ramp overnight parking charges on domestic operators particularly at KKIA
- Recently introduced SITA CUTE & CUSS system at Simon Mwansa Kapwepwe International Airport (SMKIA); and
- Increased passenger uptake at KKIA by RwandAir due to recently introduced Guangzhou route.

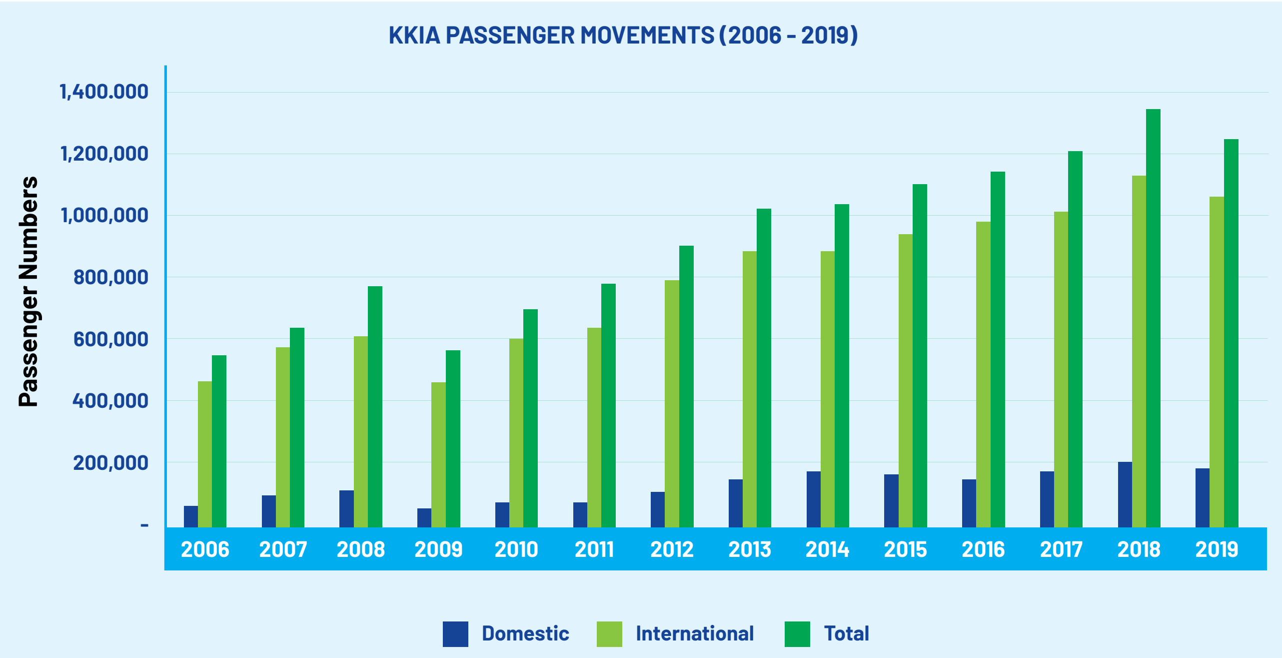
Adverse

- South African Airways cancellation of flights due to delayed consensus during the industrial action held from 15th to 19th November 2019 and the airline undergoing a business rescue process
- Continued reduction in passenger movements since January 2019 due to increased cost of doing business, currency depreciation and tightening liquidity
- Continued cancellation of flights to KKIA and to SMKIA due to rehabilitation works in Blantyre (Ethiopian Airlines) and Dubai (Emirates)

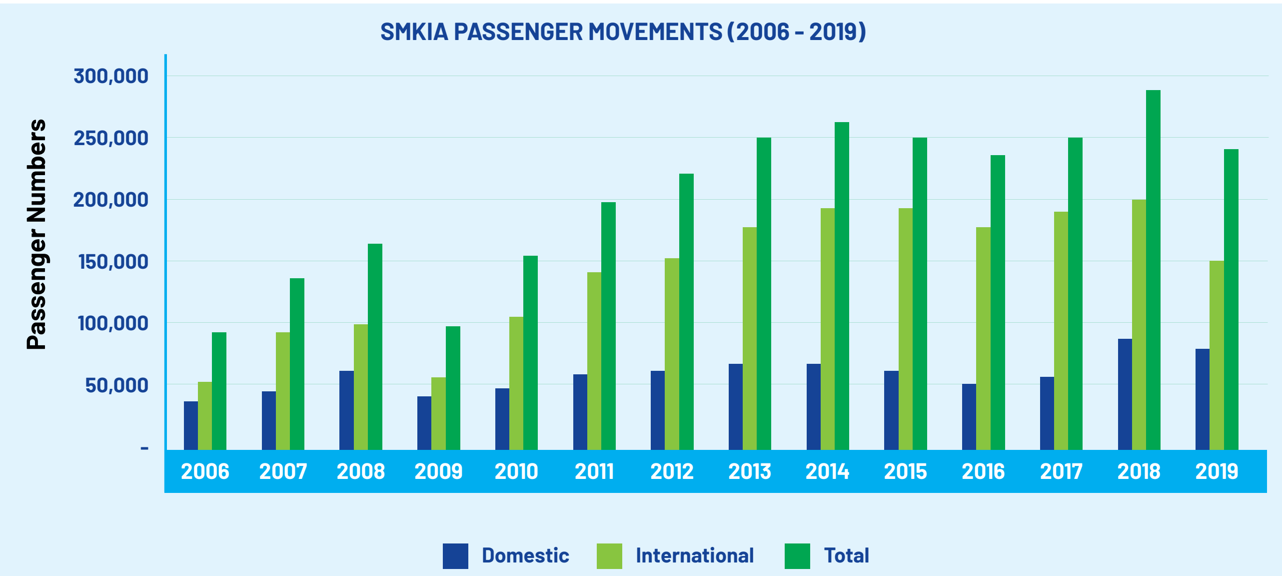
- Implementation of the load factor discounts that were not factored in at the time of budgeting
- Suspension of Fastjet Tanzania Flights effective December 2018
- DHL suspension of flights due to increasing competition and low loads effective September 2019; and

7.2. Passenger Traffic By Airport, 2006 - 2019

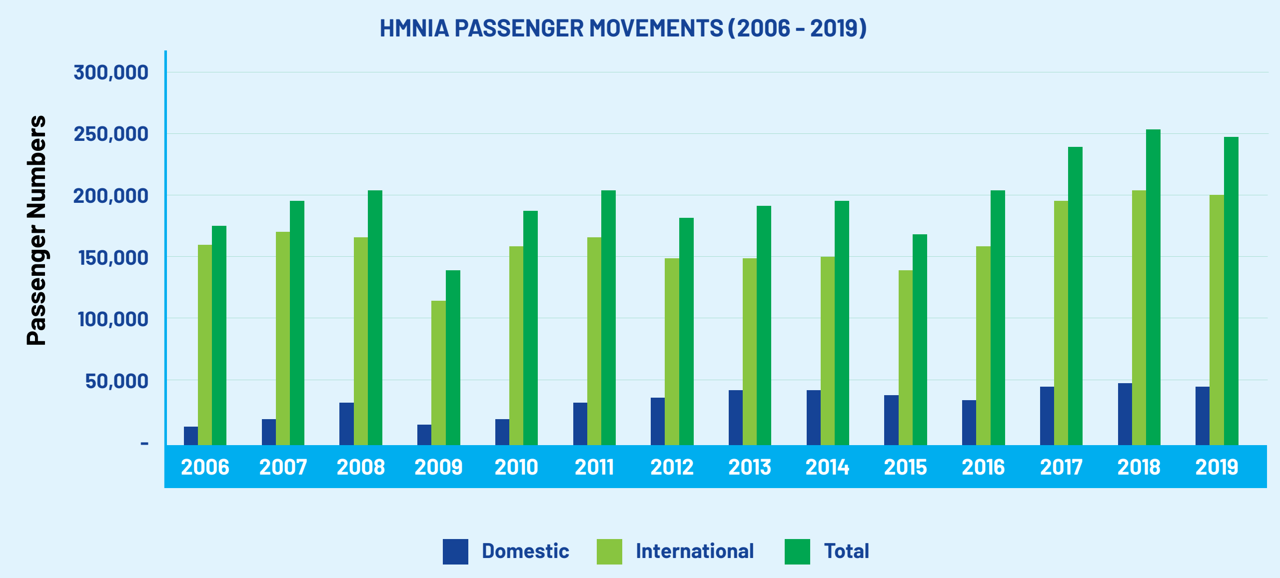
In comparison to last year, Kenneth Kaunda, Simon Mwansa Kapwepwe and Harry Mwaanga Nkumbula International Airports recorded negative growths in both domestic and international passenger movements at (7.9%, 4.3%), (6.4%, 22.4%) and (8.3%, 1.1%) respectively. On the other hand, Mfuwe International Airport recorded a decline of 2.2% in domestic passenger movements and growth of 8.4% in international passenger movements. The tables and graphs below illustrate the trend analysis for the period, 2006 to 2019:



Source: *ZACL Airport Services*



Source: *ZACL Airport Services*



Source: *ZACL Airport Services*

Source: *ZACL Airport Services*

7.3. Paying Passenger Movements

Paying passengers are all departing passengers from the four designated airports at Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe International Airports. The total paying passenger traffic during the year under review was 649,892 against a budget of 755,937 representing some 14% below budget performance. Similarly, this was a decline of about 4.6% when compared to the year 2018 when 680,965 paying passengers were recorded.

The overall domestic and international performance against the budget was 27.8% negative and 7.8% negative respectively. Additionally, a comparison against the same period last year indicated negative growths of 9.3% for domestic paying passengers and 2.7% for international paying passengers.

At individual airport level, Kenneth Kaunda International Airport continued to be dominant with 433,431 paying passengers having been recorded during the period under review. This was 11.4% below budget of 489,319 paying passengers. Similarly, this was a decline of 2.5% when compared to the same period last year when 444,714 paying passengers were recorded.

Harry Mwaanga Nkumbula International Airport was the second dominant in terms of paying passengers with 103,858 paying passengers having been recorded during the period under review. This was 10.8% below budget of 116,399 paying passengers. Similarly, this was a decline of 4% when compared to the same period last year when 108,159 paying passengers were recorded.

Simon Mwansa Kapwepwe International Airport was the third in terms of paying passengers with 97,924 paying passengers having been recorded during the period under review. This was 26.9% below budget of 133,897 paying passengers. Similarly, this was a decline of 13.4% when compared to the same period last year when 113,106 paying passengers were recorded.

Mfuwe International Airport was the fourth in terms of paying passengers with 14,679 paying passengers having been recorded during the period under review. This was 10.1% below budget of 16,322 paying passengers. Similarly, this was a decline of 2.1% when compared to the same period last year when 14,986 paying passengers were recorded.

Station	Passenger Catogory	2018 Financial Year				2019 Financial Year		Compared To Last	
		ACT	BUD	VAR	% DIFF	ACT	BUD	VAR	% DIFF
KKIA	Dom	97,255	83,356	13,899	16.67%	87,339	123,255	-35,916	-29.14%
	Int.	347,459	344,827	2,632	0.76%	346,092	366,064	-19,972	-5.46%
Sub Total		444,714	428,183	16,531	3.86%	433,431	489,319	-55,888	-11.42%
SMKIA	Dom	51,010	33,402	17,608	52.71%	45,804	65,389	-19,585	-29.95%
	Int.	62,096	57,621	4,475	7.77%	52,120	68,508	-16,388	-23.92%
Sub Total		113,106	91,023	22,083	24.26%	97,924	133,897	-35,973	-26.87%
HMNIA	Dom	26,115	23,204	2,911	12.54%	24,124	32,476	-8,352	-25.72%
	Int.	82,044	88,439	-6,395	-7.23%	79,734	83,923	-4,189	-4.99%
Sub Total		108,159	111,643	-3,484	-3.12%	103,858	116,399	-12,541	-10.77%
MFUWE	Dom	14,141	13,280	861	6.48%	13,646	15,496	-1,850	-11.94%
	Int.	845	959	-113.6096	-11.85%	1033	827	206.3455	24.96%
Sub Total		14,986	14,238	748	5.25%	14,679	16,322	-1,643	-10.07%
Consolidated	Dom	188,521	153,242	35,279	23.02%	170,913	236,615	-65,702	-27.77%
	Int.	492,444	491,845	599	0.12%	478,979	519,322	-40,343	-7.77%
Grand Total		**680,965**	**645,088**	**35,877**	**5.56%**	**649,892**	**755,937**	**-106,045**	**-14.03%**

Source: *ZACL Airport Services*

7.4. Aircraft Movement

During the period under review, a total of 55,259 aircraft movements were recorded in the four main airports namely Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe International Airports. When compared to the same period last year which had 56,595 aircraft movements, this was a decline of 2.4%.

Domestic aircraft movements decreased by 1.3% from 31,132 aircraft movements in 2018 to

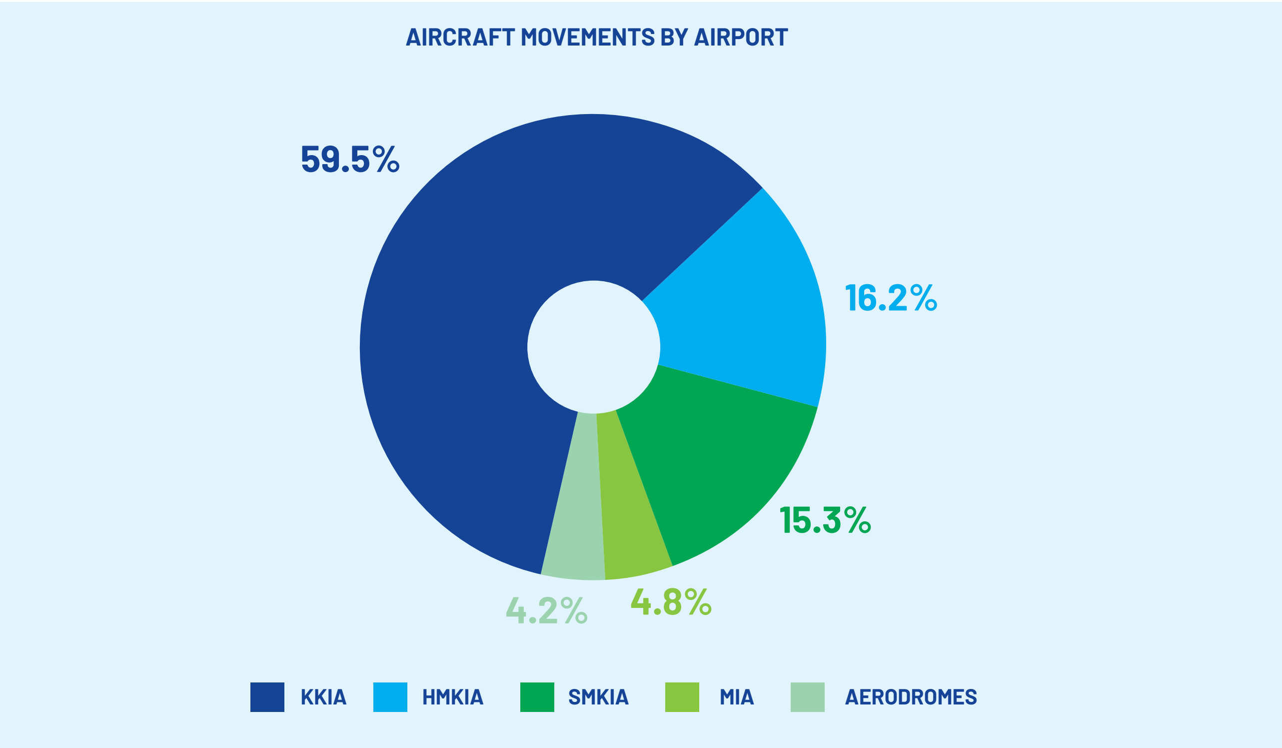
30,741 aircraft movements in 2019 while international aircraft movements decreased by 3.7% from 25,463 aircraft movements in 2018 to 24,518 aircraft movements in 2019.

On the other hand, provincial and strategic aerodromes recorded a total of 2,451 aircraft movements.

Stations	Aircraft Movements
KKIA	34,320
SMKIA	9,332
HMNIA	8,848
MIA	2,759
AERODROMES	2,451
TOTAL	**57,710**

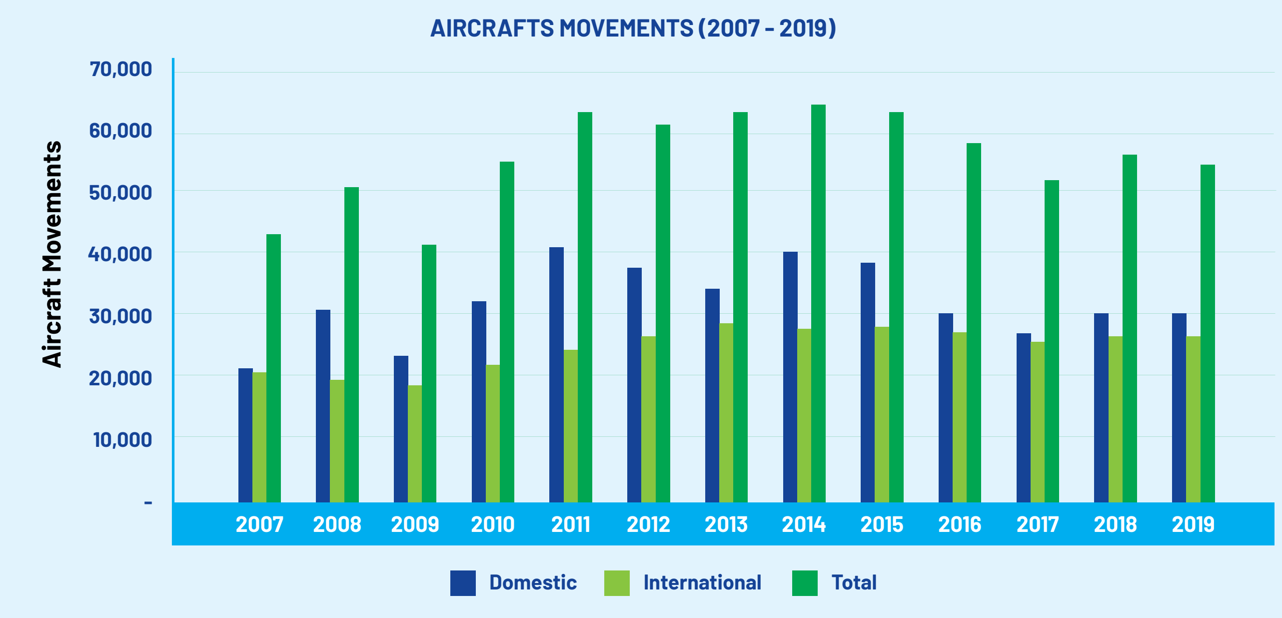
Source: *ZACL Airport Services*

Kenneth Kaunda International Airport handled the largest number of aircraft movements being the main gateway to the country. The airport handled 59.5% of the total in 2019. Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula, and Mfuwe International Airports handled 16.2%, 15.3% and 4.8% of the total aircraft movements respectively. Provincial and strategic aerodromes accounted for 4.2%.



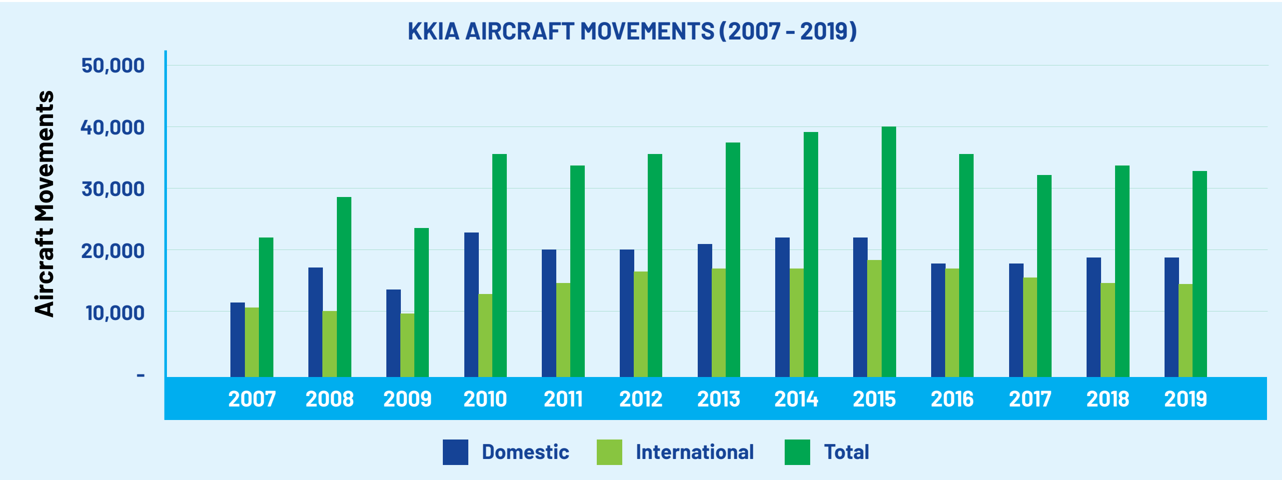
Source: *ZACL Airport Services*

When compared to the same period last year, Kenneth Kaunda, Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe International Airports declined by 1.6%, 4%, 4.2% and 0.04% respectively. The reasons given as affecting passenger movement are therefore the same as in this case

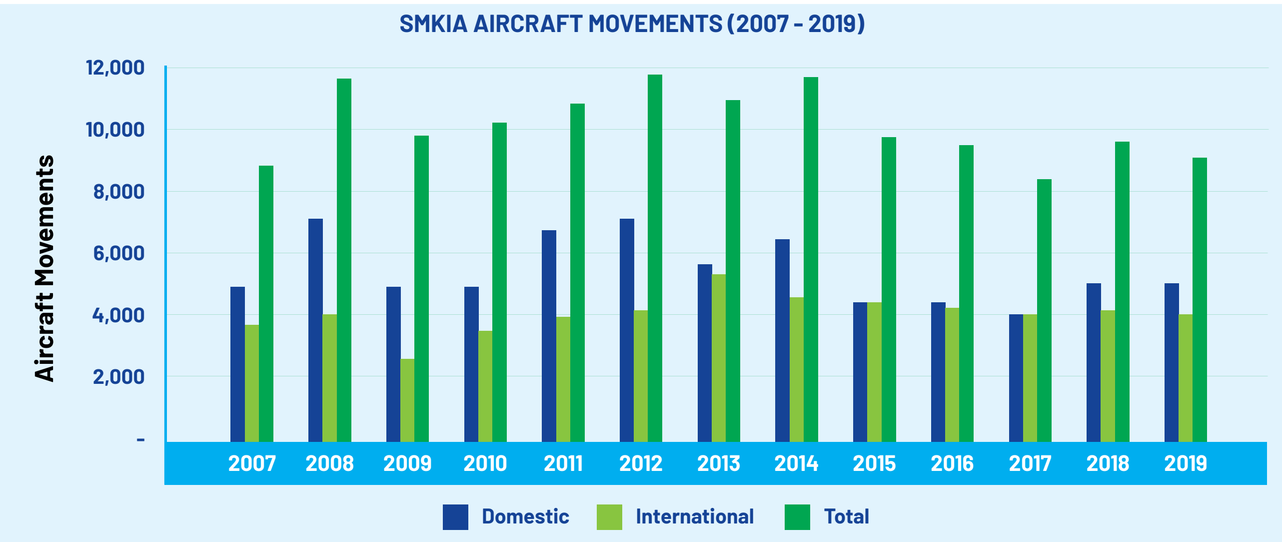


Source: *ZACL Airport Services*

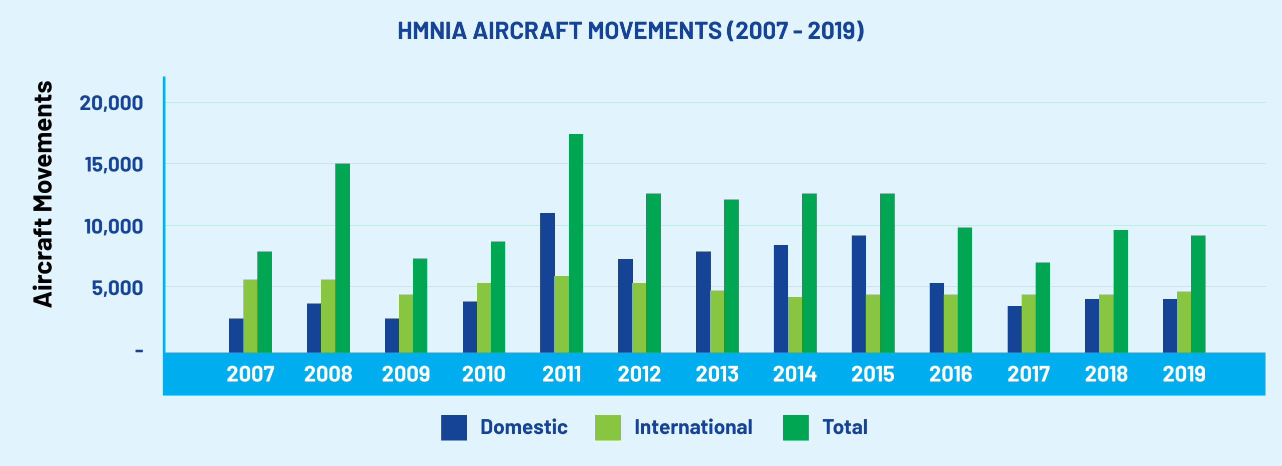
Below are graphs showing performance by airports;



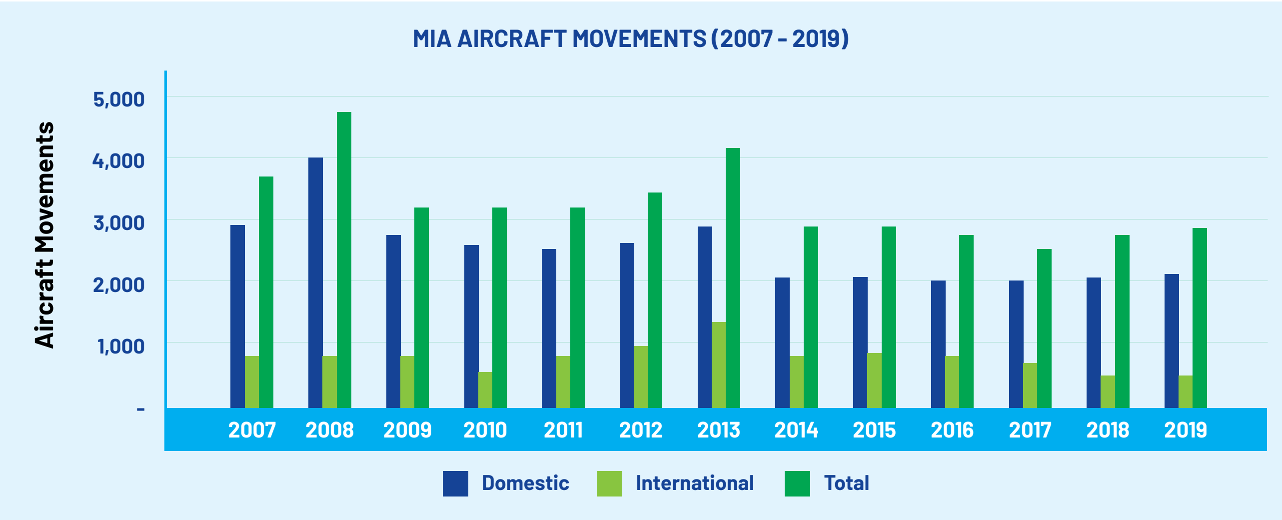
Source: *ZACL Airport Services*



Source: *ZACL Airport Services*



Source: *ZACL Airport Services*



Source: *ZACL Airport Services*

7.5. Cargo Movements

During the period under review, the four international airports recorded a total of **22, 046,416.35** kilograms of Cargo and Mail compared to **20, 860, 065.20** kilograms recorded during the same period of 2018 giving a **5.69%** growth.

Month	Cargo	Mail	2019 Total	2018 Total	Variance
	Kg	Kg	Kg	Kg	Kg
January	1,655,538	17,007	1,672,545	1,482,879	189,666
February	1,648,433	14,918	1,663,351	1,464,353	198,998
March	1,747,825	17,732	1,765,557	1,820,063	(54,506)
April	1,634,372	11,753	1,646,125	1,822,967	(176,842)
May	1,780,523	17,866	1,798,389	2,064,696	(266,307)
June	1,655,390	10,448	1,665,838	1,817,210	(151,372)
July	1,805,868	14,380	1,820,248	1,883,212	(62,964)
August	1,838,266	13,144	1,851,410	1,720,340	131,070
September	1,881,955	18,590	1,900,545	1,596,473	304,072
October	2,106,648	20,315	2,126,963	1,772,923	354,040
November	2,268,876	11,790	2,280,666	1,921,440	359,226
December	1,837,432	17,348	1,854,780	1,493,509	361,271
TOTALS	**21,861,125**	**185,291.00**	**22,046,416.35**	**20,860,065.20**	**1,186,351.15**

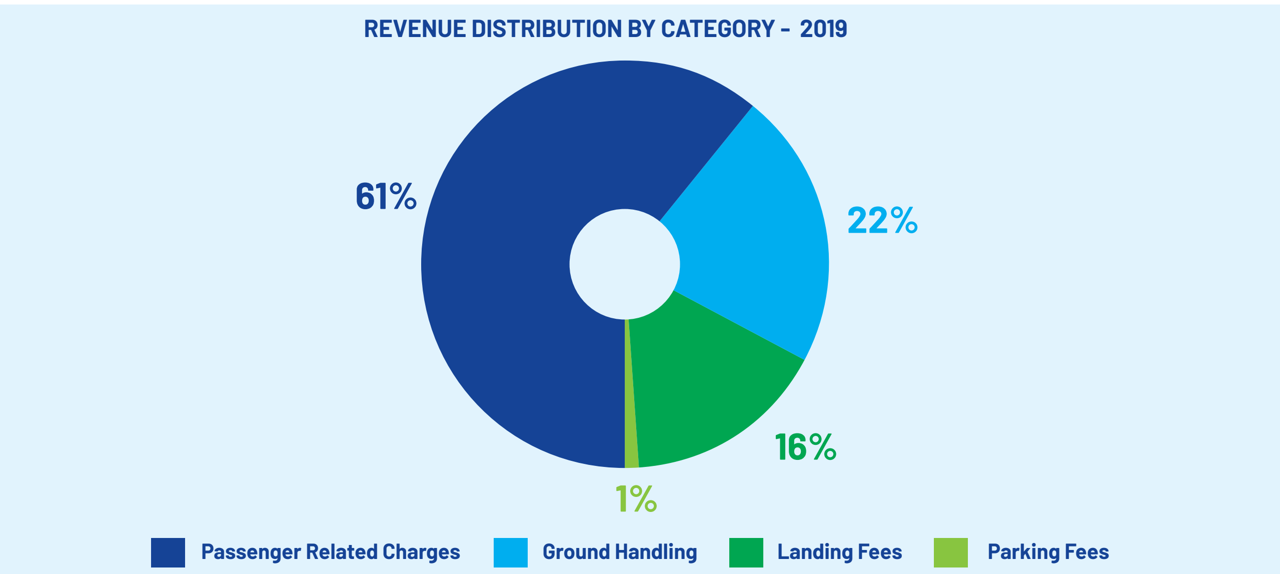
Source: *ZACL Airport Services*

The above improved performance is anchored on mainly Martin Air relaunching flights into Lusaka from Amsterdam and to the growing exports of fruits and vegetables mainly through SA Airways and Emirates. The expectation going forward is for a further increase in the volumes against the backdrop of the increased capacity.

Airlines uplifting this cargo from Kenneth Kaunda International Airport are South African Airways Cargo, KLM/Martin Air Cargo, Emirates Airlines, Euro Cargo Aviation, Ethiopian Airlines Cargo and Kenya Airways Cargo.

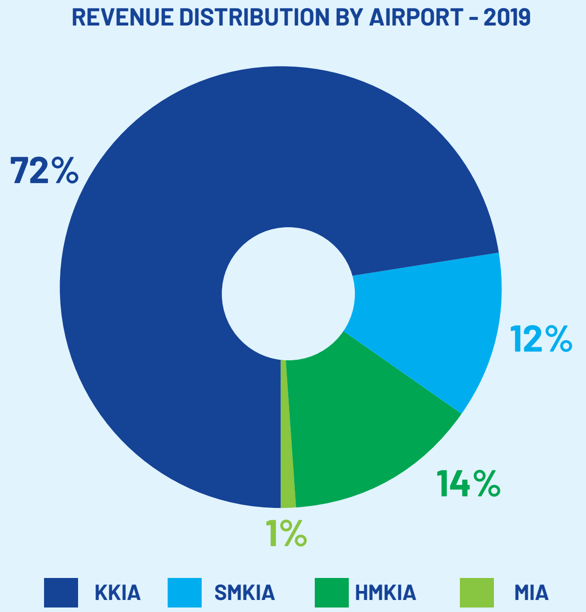
7.6. Airport Services Revenue

Airport services division recorded total revenue of K473million which was 6% below the budget of K 505million. In terms of aeronautical revenue contribution by category, passenger related charges continued to dominate at 61%. Revenues from Ground Handling Services, Landing Fees and Parking Fees was at 22%, 16% and 1% respectively.



Source: *ZACL Airport Services*

In terms of revenue contribution by airport, KKIA continued to dominate at 72%. HMNIA, SMKIA & MIA were at 14%, 12% and 1% respectively.



Source: *ZACL Airport Services*

7.7. Airline Frequency And Destination

KKIA (International)			
AIRLINE	**AIRCRAFT TYPE**	**DESTINATION**	**WEEKLY FREQUENCY**
South African Airways	B738/A319/A320	Johannesburg	21
South African Airlink	EMB135/RJ85	Johannesburg	12
Kenya Airways	B737/B767/E190/EMB170	Nairobi	21
Ethiopian Airlines	B767/B757/B788	Addis Ababa	9
Air Namibia	A319	Windhoek	4
South African Airways Cargo	B732	Johannesburg	3
KLM/ Martin Air Cargo	B747-400	Harare/ Amsterdam	1
Euro Cargo Aviation	B747-400	Johannesburg	1
Taag Angola Airlines	B737	Luanda	3
Emirates Airlines	A330	Dubai	7
Emirates Airlines	A330	Harare	7
Air Tanzania	A220	Dar-es-salaam	3
Malawian Airlines	DH8D	Lilongwe	6
Turkish Airlines	A330-200	Instanbul/ Dar-es-salaam	2
Rwandair	A330/B737	Kigali	7
Rwandair	A330/B737	Johannesburg	7
Proflight	JS41/JS31	Lilongwe	6
Proflight	JS41/CRJ/B737-500	Harare	4
Proflight	CRJ200	Durban	3

KKIA (Domestic)			
AIRLINE	**AIRCRAFT TYPE**	**DESTINATION**	**WEEKLY FREQUENCY**
Proflight	CRJ100/Embraer	Ndola	25
Proflight	CRJ100/Embraer	Livingstone	15
Proflight	CRJ100/Embraer	Mfuwe	15
Proflight	Jet stream/Embraer	Solwezi	15
Mahogany	EMB120	Livingstone	3
Mahogany	EMB120	Ndola	12
United Air Charters	B1900	Kalumbila	5
Proflight	Jet stream/Embraer	Kasama	3

HNMIA (International and Domestic)			
AIRLINE	**AIRCRAFT TYPE**	**DESTINATION**	**WEEKLY FREQUENCY**
Proflight	EMB120/JS32/CRJ2	Lusaka	15
Mahogany	EMB120	Lusaka	3
Comair	B733/B734/B732	Johannesburg	7
South African Airways	A319	Johannesburg	7
South African Airlink	EMB135/JS41	Mpumalanga	5
Kenya Airways	EMB 190	Nairobi	3
Kenya Airways	EMB 190	Cape Town	3
Proflight	EMB120/JS32/CRJ2	Lusaka	25
South African Airlink	BAE146/EMB135	Johannesburg	12
Mahogany	EMB120	Lusaka	12
Proflight	EMB120/JS32	Solwezi	5
Proflight	CRJ100	Johannesburg	3
Kenya Airways	B737 -700	Nairobi	7
South African Airways	A319	Johannesburg	4
Ethiopian Airlines	B737	Addis Ababa	7

MIA			
AIRLINE	**AIRCRAFT TYPE**	**DESTINATION**	**WEEKLY FREQUENCY**
Proflight	EMB120/JS32	Lusaka	15

7.8. New Route Business Developments

Route development efforts seeking to grow traffic and passenger numbers through our airports so as to achieve our aspiration of harnessing our geographical location to be a passenger and cargo hub. The following prospects were under consideration in the period under review:

- An overall route development consultancy was commissioned.
- Engagement with relevant stakeholders on the prospective national airline which is currently in permitting process.
- Solicitation with prospective low cost carriers for routes in and out of some of ZACL's airports.

- Some traditional domestic operators pursuing international route prospects.
- Prospecting with legacy carriers for interest in routes to and fro and/or via our airports

8

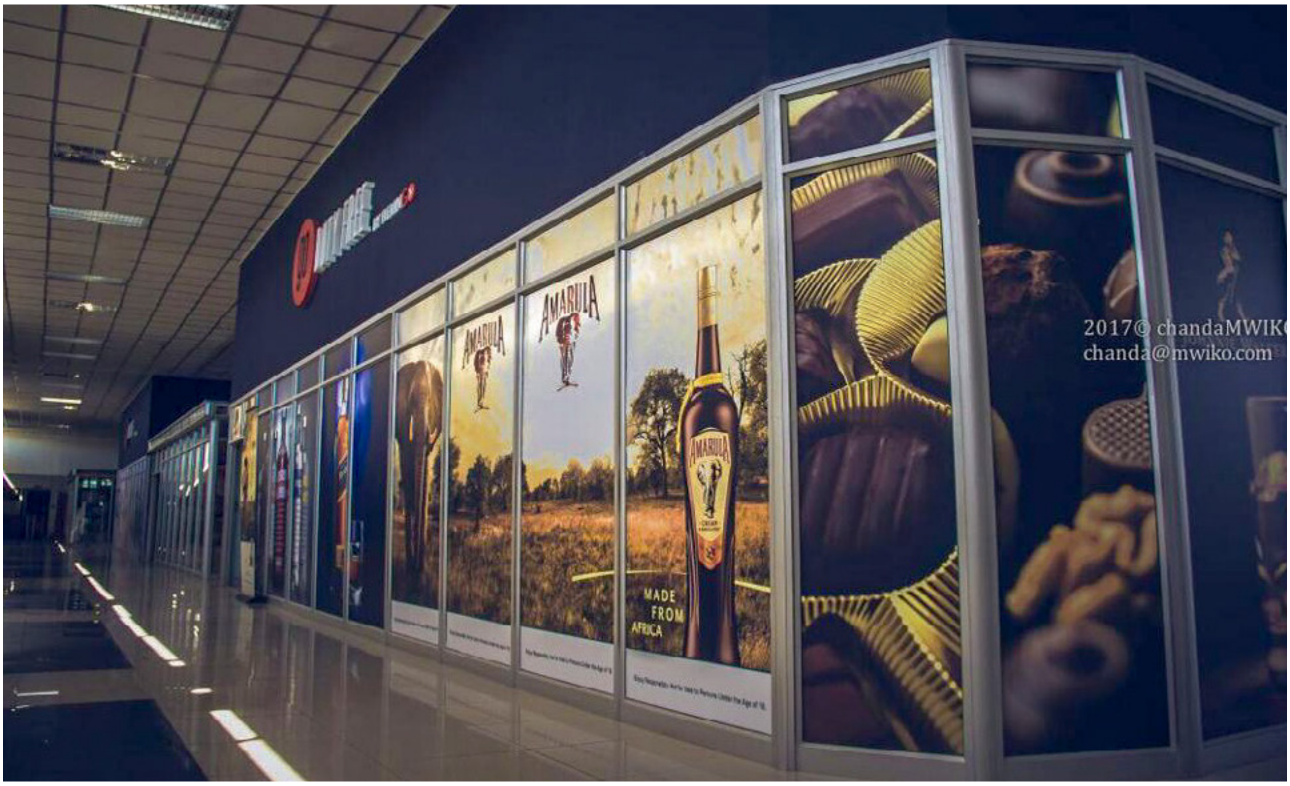
Commercial Services Performance 2019

8.1. Business Environment

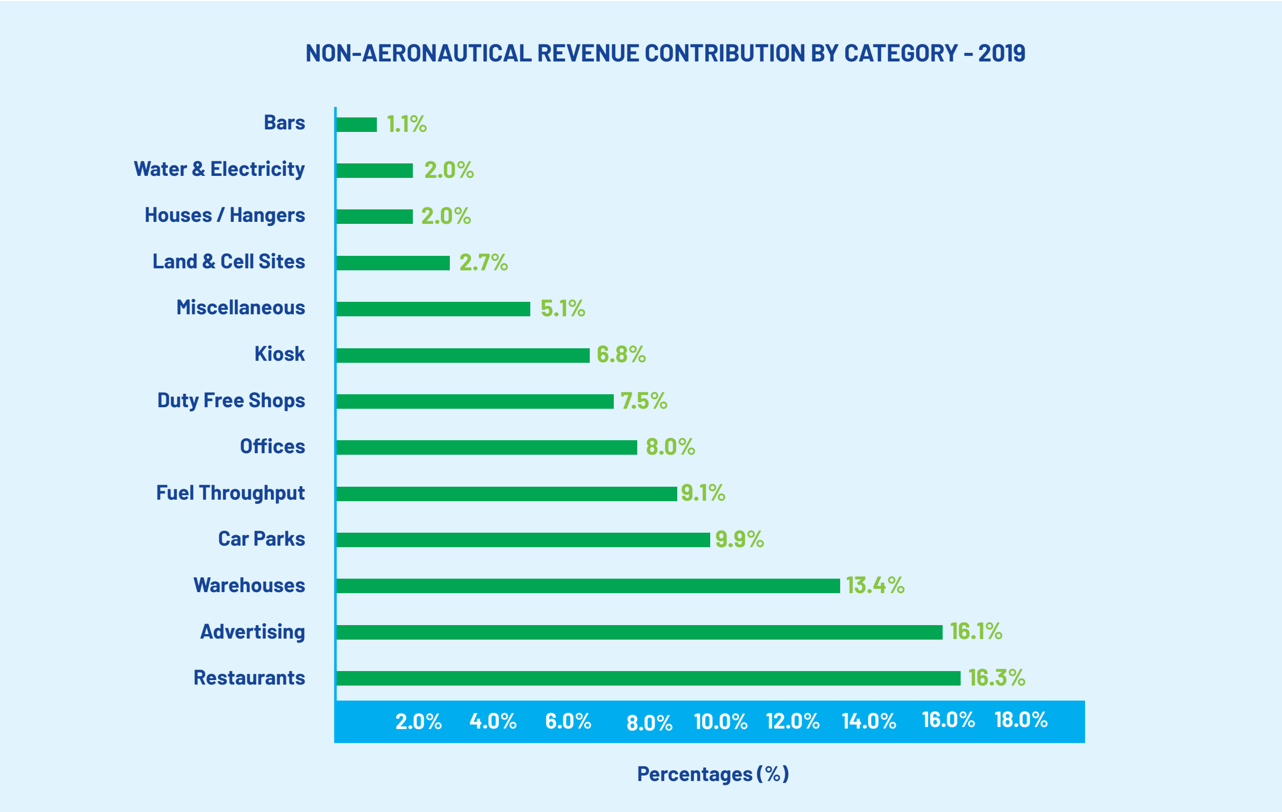
Commercial services division recorded total revenue of ZMW 41,259,102.44 which was 0.7% above a budget of ZMW 40,960,946.15 (Refer to table below).

Category	Non-Aviation Revenue			
	Actual	Budget	Variance	%
Fuel Throughput	3,749,849.28	2,960,225.01	789,624.27	26.7%
Advertising	6,661,370.90	7,916,376.00	-1,255,005.10	-15.9%
Kiosk	2,808,162.96	2,309,253.04	498,909.92	21.6%
Warehouses	5,521,096.68	5,955,379.59	-434,282.92	-7.3%
Offices	3,316,337.78	3,218,118.22	98,219.55	3.1%
Car Parks	4,093,276.44	4,583,190.80	-489,914.36	-10.7%
Houses/Hangers	810,402.13	796,235.98	14,166.15	1.8%
Restaurants	6,709,392.43	5,406,822.81	1,302,569.62	24.1%
Bars	440,188.02	421,951.86	18,236.16	4.3%
Duty Free Shops	3,090,955.59	2,937,068.97	153,886.62	5.2%
Water & Electricity	806,545.99	774,468.00	32,077.99	4.1%
Land & Cell Sites	1,131,041.40	950,861.03	180,180.37	18.9%
Miscellaneous	2,120,482.85	2,730,994.83	-610,511.98	-22.4%
TOTAL	**41,259,102.44**	**40,960,946.15**	**298,156.29**	**0.7%**

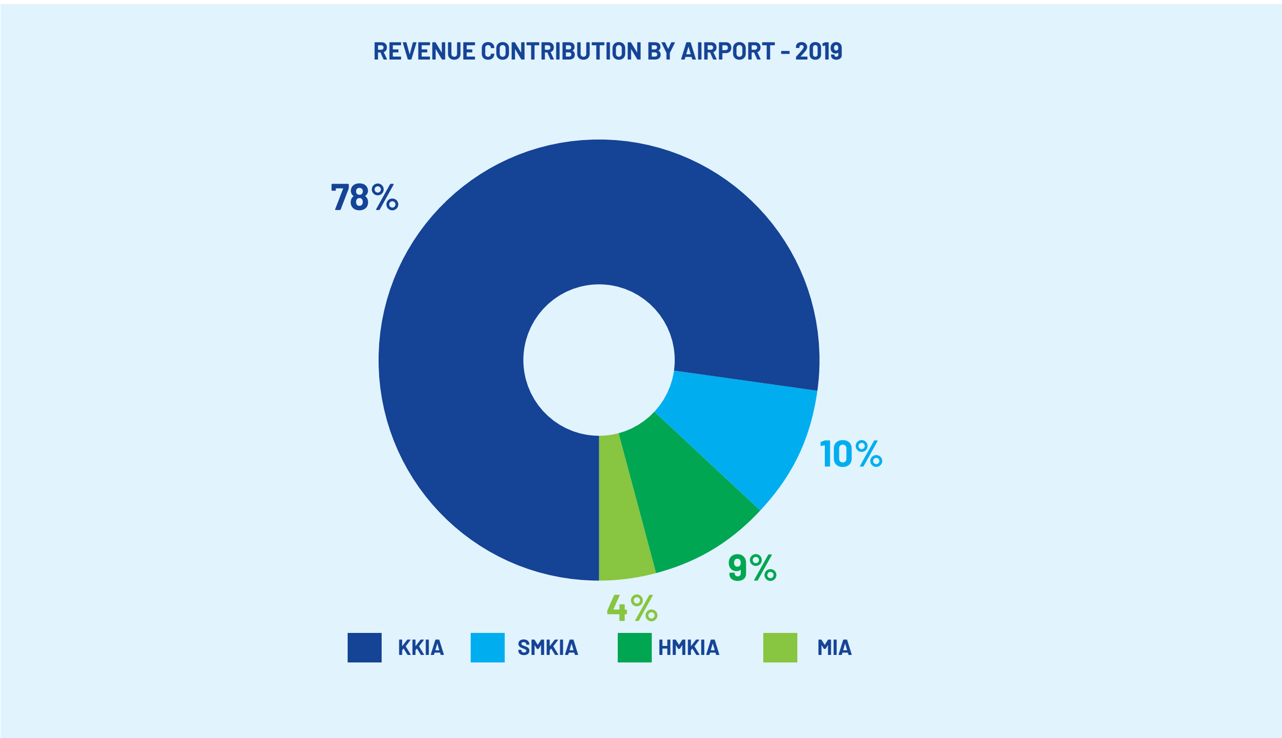
Source: *ZACL Commercial Services*



In terms of non-aeronautical revenue contribution by category, revenues from restaurants dominated at 16.3% followed by Advertising revenue at 16.1%. Refer to the below table for other revenue streams contribution to total revenue.



Source: ZACL Airport Services



Source: ZACL Airport Services

8.2. Business Development – Non-Aviation

The following are the updates of key initiatives embarked on by ZACL to grow non-aviation revenues: -

- **Land-Use Plan** – The approval process for the implementation of the plan that was undertaken for 550Ha of KKIA's land had advanced significantly at the end of the reporting period. ZACL has also extended the Airport City Zoning Plan to cover the rest of the airport dormant land.
- **Hotels** – A consultant to undertake the selection of hoteliers was engaged and the assignment progressed adequately in the period under review. Furthermore, a Consultant for hotel feasibility studies at all the four airports was selected and reports were received accordingly.
- **Existing Space Optimization** – New rental spaces for both shops and duty free have been identified in the existing terminals at KKIA and at HMNIA and all the spaces have been taken up.
- **New Terminal and Shopping Mall Tenancy & Rental Determination** – Consultant engaged and concluded benchmarking exercise against South Africa's King Shaka International Airport, Ghana's Kotoka International Airport and Schiphol Airport. The final report has been completed and consultant is currently undertaking the selection process for would be tenants.
- **New Freight Village** – Discussions with potential warehouse developers have continued with increased interest from existing tenants.
- **Automation of SMKIA Car Park** – In-house works commenced with completion as of end of October 2019. Works for the implementation of the automated parking system were in progress as at year-end.
- **Integrated Cargo Terminal** – ZRA and Cargo Handling operators have been engaged on management of the Integrated Cargo Terminal. A benchmark study was undertaken in Maputo and Nairobi, and the learnings were factored in for the operationalization of the facility.
- **New Terminal Lounges and Advertising** – The procurement of operators for Lounges and advertising spaces gained momentum during the year under review with the Board granting approval granted for the terms of reference in the said regard.

8.2.1 Potential Revenue Streams

The following are some of the key identified areas for growth of non-aviation revenues in the long run;

a. Ensuring that new infrastructure planning and developments allow for future expansions/growth;

b. Identifying new and alternative uses for existing facilities particularly for assets that are not being used;

c. Regular benchmarking against other airports for competitiveness and improvement of operating models; and

d. Promoting integration into the wider economy for value creation.

8.2.2 Potential Business Development at the provincial and strategic aerodromes;

- Vast airport land avails an opportunity for expansion of the airport projects and stimulation of non –aeronautical revenue.
- Presence of car parks which are not yet commercialised owing to their current state may generate additional non-aeronautical revenue.
- Availability of institutional houses that can be rehabilitated and subsequently rented out.
- Negotiations to take over the Fuel Through Put contract at the recently acquired aerodromes.
- Increasing demand for advertising spaces at the airports provides an opportunity to charge for rental spaces.
- Increasing demand and requests from the business community especially banks to have office spaces at the airport will be speedily processed.

9

Projects Undertaken

In the quest to improve the efficiency of the operations and strive to meet the customer expectations, as well as working towards making KKIA as an aviation regional hub, the Corporation undertook the following projects of which some are still in progress.

- **KPMG** –Job Evaluation exercise which was undertaken to review the current jobs and align them to the demand of new roles in the organization.
- **Enterprise Resource Planning (ERP) System** – this project is meant to automate and integrate all the systems in the Corporation to improve the efficiency and productivity of current output, this project is still in progress.
- **Solwezi VHF** – Upgrading of the Navigational Aids
- Further upgrade to Remote Communications Air to Ground (RCAG) facility. The aim of this project is to enhance air safety.
- Migration from AIS to AIMS/electronic Aeronautical Information Publication/WGS84 Survey/ GNSS Procedures – this project once completed will increase the new Air Traffic Management information requirement, it is currently in progress.
- **Fiber Aeronautical Telecommunication Network** – this project will enhance communication and it is at 99% complete.
- Instrument Landing System – upgrade aerodrome Air Traffic Control Equipment, it is in work in progress.
- **Non Directional Beacons for Mfuwe, Mansa and Kaoma** – upgrade of Navigational Aids and enhance safety. It is still in progress.
- **Actualise Air Traffic Management Master Plan** – the aim is to commence the implementation of the Master Plan Study of Air Navigation Services; the project is still under way.

Design and Construction of Airport Infrastructure at Kenneth Kaunda International Airport

Background

The contract for the Design and Construction of Airport Infrastructure at Kenneth Kaunda International Airport was awarded to China Jiangxi Corporation for International Economic and Technical Cooperation at the cost of US$360million, exclusive of local taxes.

Project Scope

The scope of works constitutes the following:

a. Construction of 4 million capacity International Terminal Building with six (6) aero bridges;

b. Construction of a 30 room capacity in-transit passenger hotel and a 70 room non-transit passenger hotel;

c. Construction of Office Park and Shopping Mall;

d. Construction of Apron and Taxiways;

e. Construction of Rescue and Fire Services Station;

f. Upgrade of water and power reticulation;

g. Construction of landside and airside driveways;

h. Construction of 39metres high Air Traffic Control Tower;

i. Rehabilitation of ZASTI;

j. Construction of Airport Cargo Terminal;

k. Construction of Aircraft Maintenance Hangar;

l. Construction of Airport Fuel Farm; and

m. Construction of a stand-alone VVIP lounge.

Project Progress

Summary of Project Design Progress

Component	Status as at 30/06/2019	Status as at 31/12/2019
FRS	Final working drawings approved	Completed
Viaduct	Final working drawings approved	Completed
VVIP	Final working drawings approved	Completed
Cargo Area	Final working drawings approved	Completed
New Terminal	Final working drawings besides SAS approved on 31/05/2016, to be submitted for stamping and signing in due course. The response and adjustments of SAS has been submitted on 28/12/2016.	Completed
Hotel	Final working drawings approved	Completed
Commercial Complex	Final working drawings approved.	Completed
Airfield Area	Final working drawings approved	Completed
ATC Building	Final working drawings approved	Completed
ATC Building	External working Drawings for Terminal Area, VVIP Area, Warehouse Area, RFS Area Commercial Complex Area Approved;	Completed
Existing Terminal	Survey work 100% completed	Preliminary designs complete

Component	Status as at 30/06/2019	Status as at 31/12/2019
Fuel System	Design Work 30% completed	10%
Maintenance Hangar	Design Work 25% completed	25% completed
ZASTI Rehabilitation	To be started in due course	Not yet started

The project commenced on 21st April 2015 and the expected project completion date is 20th October 2019. The project progress was as follows: -

Facility	Percentage Completion as at 31/12/2018	Percentage Completion as at 31/12/2019
New Terminal Building	88%	96%
New Terminal Building Apron	74%	90%
Presidential Pavilion	84%	88.5%
Presidential Pavilion Apron	100%	100%
Hotel	81%	94%
Rescue and Fire Services Station	98%	98%
Rescue Centre	98%	98%
Cargo Warehouse	86%	98%
Cargo Warehouse Apron	87%	97%
Water Tank and Pump House at the Fire Station	100%	100%
Air Traffic Control Building and Control Tower	89%	97%
Commercial Complex	80%	98%
Viaduct	100%	100%
Taxiway Delta Extension	90%	92%
Taxiway Widening	25%	%
Overall Project Progress	**80%**	**87%**

Design and Construction of New Airport Infrastructure (Greenfield) in Ndola

Background

The contract for the Design and Construction of the new Airport Infrastructure (Greenfield) in Ndola was awarded to AVIC International Holding Corporation Limited at a cost of US$522million and completion period of 54months. Subsequently the contract was signed on 11th September 2013.

The implementation of the project has been scaled down to the cost of US$397million to be executed within three years due to financial constraints.

Project Scope

The scope of works constitutes the following:

a. Construction of 1 million capacity International Terminal Building with three aero bridges;

b. Construction of the hotel;

c. Construction of Business Complex;

d. Construction of Apron, Taxiway and Runway;

e. Construction of Rescue and Fire Services Station;

f. Provision of water and power reticulation;

g. Construction of car parks, landside and airside driveways;

h. Construction of Air Traffic Control Tower;

i. Construction of Airport Cargo Terminal;

j. Construction of Aircraft Maintenance Hangar; and

k. Construction of Airport Fuel Farm.

Project Progress

Site Handover was done on 28th September 2017 and construction works for the new Copperbelt International Airport commenced on 16th October 2017 and below is the construction progress.

Facility	Percentage Completion as at 31/12/2018	Percentage Completion as at 31/12/2019
New Terminal Building	13%	55%
Business Complex	43%	68%
Viaduct	30%	91.71%
Air Traffic Control Building and Control Tower	24%	68%
Runway and Taxiway	85%	98.3%
Overall Project Progress	33%	64.26%

Design and Construction of Airport Infrastructure at Mfuwe International Airport

Background

The contract for the Design and Construction of Airport Infrastructure at Mfuwe International Airport was awarded to China National Complete Engineering Corporation at the cost of US$122,364,454.00 VAT exclusive with the completion period of 756days. A discussion on the financing modalities between Government of the Republic of Zambia and the Contractor is underway.

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Human Resources

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

Staff Compliment

The staff headcount for the period ending 31st December 2019 was one thousand and sixteen (1016) against approved establishment of one thousand and sixty-three (1063)

A total number of one hundred and seventy-four (174) new employees were engaged during the year to fill up the vacant positions in critical areas of operations. One hundred and eighteen (118) employees were engaged on Permanent and Pensionable terms and Fifty-Six (56) employees on Fixed Term Contract basis.

Labour Turnover

The Corporation recorded twenty-seven (27) separations during the year under review which included seven (7) resignations, four (4) deaths, seven (7) dismissals, Two (2) discharges, Two (2) expiry of contracts and Five (5) resignations. The employment category for the leavers were: - Management two (2), Skilled Labour nineteen (19) and Unskilled Labour six (6). The annual turnover rate was 0.68%.

Capacity Building

Staff Training and Development remained a priority for the Corporation to meet regulatory requirements as well as to align employee goals and performance with that of the Corporation.

The Corporation continued to support employees to attain higher qualifications and skills at colleges and universities in relevant areas of the business operation. The Corporation also availed various training programs to employees both locally and abroad in the following key areas of operations: Technical, Operational, Management, HIV/AIDS and QMS.

Industrial and Labour Relations

The Corporation generally enjoyed relatively good and harmonious Industrial Relations during throughout the year under review. Management also continued to foster dialogue with employees' representatives as well as professional associations in order to enhance morale and continued good working relationships.

2019 Management/Union Negotiations

Management and the Two (2) Unions (AAWUZA and NUAAW) concluded negotiations for improved salaries and conditions of service for 2019.

Promotions

The Corporation continued to boost morale and keep productivity high by filling most of the vacant positions internally. In the year under review, sixty-four (64) employees were promoted to various positions of seniority both in Management and Non-Management.

11

Finance

Corporate Financial Results

Revenue

The Corporation turnover in the year under review was K591 Million compared to the previous year 2018 of K497 Million; this was 19% above last year. Although the Corporation recorded a 19% growth in turnover above last year, the Corporation recorded a decline in activities, with passenger numbers declining by 6.4% comparison to last year. Domestic passenger numbers declined by 7.2% while international numbers declined by 6.2%. Passenger related charges accounts for 61% of the revenue hence reduction of passengers adversely affect the revenue streams associated with passenger numbers.

Table 1 – Revenue by income Type

AIRPORT SERVICES	DEC 2019 (KM)	DEC 2018 (KM)	%
Passenger Service Charge	169,687.521	141,584,054	20%
Landing Fees	75,262,918	64,095,616	17%
Ground Handling Fees	101,569,393	91,486,067	11%
Aviation Security	37,286,357	31,216,275	19%
Aircraft Parking	5,431,211	3,208,767	69%
Aviation Infrastructure fees	72,004,818	60,435,127	16%
Cute and Cuss	11,425,441	8,589,040	33%
Other	34,511,149	29,747,630	16%
Total	**507,178,778**	**430,362,576**	**18%**
AIR NAVIGATION			
Over flights	60,707,362	47,146,613	29%
Navigation fees	23,611,824	19,417,137	22%
Total	**84,319,186**	**66,563,750**	**27%**
Total Operating income	**591,498,024**	**496,926,326**	**19%**
Average exchange rate	14.640	10.407	40%
Year End rates	13.953	11.942	17%

Table 2 – Expenses			
EXPENSES	**DEC 2019 (KM)**	**DEC 2018 (KM)**	**%**
Staff costs	278,625,717	218,762,899	(27%)
Depreciation	47,180,636	45,076,144	(5%)
Finance costs	13,506,791	10,949,956	(23%)
Other costs	188,372,949	195,707,409	4%
TOTAL	**527,686,093**	**470,496,408**	**(12%)**
Profit/(loss) before Tax and exchange gain/(loss)	134,427,702	71,558,919	88%
Exchange gain/(loss)	27,807,215	12,069,149	130%
Income tax	(20,167,497)	(3,217,930)	(527%)
Profit /(loss) after Tax and exchange gain/(loss)	114,260,205	80,410,138	42%

Table 3 - Operating Turnover by Airport			
AIRPORT SERVICES	**DEC 2019 (KM)**	**DEC 2018 (KM)**	**%**
Kenneth Kaunda	370,240,508	299,898,577	23%
Simon Mwansa Kapwepwe	60,861,453	57,799,172	5%
Harry Mwaanga Nkumbula	71,005,029	67,499,351	5%
Mfuwe	5,071,788	5,165,476	(2%)
Air Navigation income	84,319,186	66,563,750	27%
Exchange gain/(loss)	27,807,215	12,069,149	130%

The Corporation recorded a profit of K114,260,205 Million after taking into account income tax of K20,167,497 Million.

Financial **Statements**

FOR THE YEAR ENDED 31 DECEMBER 2019

MPH Chartered Accountants

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Directors' Report

The Directors submit their report and audited financial statements for the year ended 31 December, 2019.

1.0. Status of the Corporation

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

2.0. 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 air navigation services throughout Zambia. The Corporation is also in charge of six provincial and three strategic aerodromes.

3.0. Share Capital

The Corporation's Authorised, Issued and fully paid up Share Capital comprises 16,458,500 ordinary shares of K1 each.

4.0. Results

The Corporation's results are as follows:

	2019 K	2018 K
Operating revenue	591,498,024	496,926,326
Profit before tax	134,427,702	83,628,068
Income tax expense	(20,167,497)	(3,217,930)
Profit after tax	114,260,205	80,410,138

The Corporation achieved revenue of K592 million during the twelve months to 31 December 2019 compared to K497 million for the previous 12 months. Operating costs during the period amounted to K514 million (2018 – K460 million) resulting into a profit before tax of K134.4 million (2018 – K83.6 million) after taking into account other income of K35.1 million (2018- K44.2 million) and other charges.

5.0. Dividends

The Corporation made a profit after tax of K114 million for the year ended 31 December 2019 (2018: K80.4 million). The Directors do not recommend a dividend for the year ended 31 December 2019 due to the post effects of the coronavirus. A cash buffer is required to sustain the operations of the Corporation. (2018:K5.0 million).

6.0. Directors and Secretary

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

Mr. Milingo Lungu	-	Chairperson
Ms. Prisca Mwansa Chikwashi	-	Vice Chairperson
Mr. Moonga Mumba	-	Member
Mr. Sunday Chanda	-	Member
Ms. Patricia Pakatamanja Zimba	-	Member
Mr. Mukuli Chikuba	-	Member
Mr. Nicholas Chikwenya	-	Member
Mr. Charles Mushota	-	Member
Mr. Fumu Mondoloka	-	Member

The Secretary is:

Mrs. Maggie Banda Kaunda

Zambia Airports Corporation Limited

Kenneth Kaunda International Airport

PO Box 30175, LUSAKA.

7.0. Industrial Relations

The Corporation enjoyed industrial harmony throughout the year.

8.0. Employees

The Corporation had 1,016 full time employees at 31 December 2019 (31 December 2018 – 871) and total salaries and wages paid were K279 million for the year ended 31 December 2019 (December 2018 – K219 million). The average number of employees in each month for the year was:

January 2019	871
February 2019	871
March 2019	870
April 2019	870
May 2019	872

June 2019	869
July 2019	877
August 2019	887
September 2019	920
October 2019	947
November 2019	1,015
December 2019	1,016

9.0. Gifts and Donations

The Corporation made donations of K472,932 during the year (2018 – K222,093).

10.0. Property, Plant and Equipment

Additions to property, plant and equipment totaling K82.8 million were made during the year (2018 – K45 million). Additions relating to Right- of- Use assets totaling K5.3 million were made during the year.

11.0. Other Material Facts, Circumstances and Events

The Directors wish to report that following the advent of the coronavirus (COVID-19) major economic activities across the world have been impacted and ZACL is no exception. According to International Monetary Fund (IMF), the virus outbreak will slow global economic growth this year, but the extent of the drop remains unclear. Economic effects of the COVID-19 are two-fold namely through economic channels on the supply side such as factory closures, reduced work hours, cutbacks in service provision and supply chain disruption. On the demand side, reduced private consumption, cancellation of business and tourism travels and education and entertainment services. Currently the containment measures around the world are quarantine, travel bans and restrictions, lockdowns and closure of public places. Airport Council International (ACI) estimates above US$46 billion total airport industry losses for 2020. Passenger traffic is expected to decline between 20% to 50% between March and June depending on how the situation will evolve.

The travel bans across the globe has negatively impacted the aviation industry. From the Zambian perspective, the three international airports namely SMKIA, HMNIA and Mfuwe have been closed for international flights in order to effectively manage the spread of the coronavirus. In March the Corporation received notification of suspension of flights from all the major carriers up to end of May, however, lifting up of the suspension will be subject to how the COVID-19 will evolve across the globe.

From the Corporation financial perspective, this has eroded the aviation revenue as 90% of the operating revenue accounts for aeronautical income.

To mitigate the loss in revenue, management has put up stringent measures to manage the costs during this lean period which includes revising operating hours for all airports, suspending recruitments, suspending granting of staff advances ,loans and also allowing staff to take up their leave to reduce the cost to the Corporation. Most capital projects have been deferred to next financial year. Management has further engaged the lenders on deferment of payment of principle portion of loans and leases and rescheduling of the FX Forward obligation from April to August 2020.

12.0. Financial Statements

The financial statements set out on pages 11 to 59 have been approved by the Directors.

13.0. 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

Statement of Directors' Responsibilities in respect of the Preparation of Financial Statements

The Directors submit their report and audited financial statements for the year ended 31 December, The Corporation'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 2019, 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 controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making 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 Corporation'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 11 to 59 were approved by the Board on ...21st April 2020... and were signed on its behalf by:

Milingo Lungu

Chairperson

Fumu Mondoloka

Director

Independent Auditor's Report

To the members of Zambia Airports Corporation Limited

Report on the financial statements

Opinion

We have audited the financial statements of Zambia Airports Corporation Limited (-the Corporation), which comprise the Statement of Financial Position as at 31 December 2019, 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 Corporation`s financial statements give a true and fair view of the financial position of the Corporation as at 31 December, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act of Zambia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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. We have determined the matters described below to be key audit matters to be communicated in our report.

We refer to notes 15, 23 and 25 (Exposure to Credit Risk) of the financial statements.

Key audit matter	Our response
i. *Existence, accuracy and recoverability of trade receivables and other receivables.* Debtors represent a significant financial statements caption in the books of the Corporation. Further determination of the recoverability of the debtors involves significant judgement.	Our audit procedures with respect to the audit of the existence, accuracy and recoverability of trade and other receivables included, among others; • Assessing the existence of the trade receivables through direct confirmation of a sample of debtors balances; • Where not confirmed, review of receipts from the sampled debtors received after the reporting date; • Review of supporting documents giving rise to the sampled debtors balances; • Review of the reconciliation of the receivables ledger. • Review of debtors\` statements and reconciliations with selected debtors; • Review of the computation of the impairment provisions for compliance with IFRS 9; and • Assessing the recoverability of trade and other receivables and the adequacy of the impairment provision. Disclosures of the trade and other receivables balances, the trade debtors ageing and the impairment provisions have been made in notes 15 and 25 to the financial statements. We consider the disclosures to be appropriate.
ii. *Existence and accuracy trade payables* iii. *Trade and other payables are a significant component of the liabilities of the Corporation*	Our audit procedures in respect to the audit of the existence, accuracy and valuation of trade and other payables included, among others: • Assessing the existence of the trade payables through direct confirmation of the creditors\` balances; • Review of payments made to creditors after the reporting date;

Key audit matter	Our response
	• Review of, where available of reconciliations with creditors; • Review of suppliers statements where available; and • Review of the revaluation of foreign currency denominated liabilities. Disclosures of the trade and other payables balances have been made in notes 23 and 24 to the financial statements. We consider the disclosures to be appropriate.

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 Corporation's financial reporting process.

Auditor`s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- • Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter.

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

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

Report on Other Legal and Regulatory Requirements

Companies Act, 2017

The Zambia Companies Act of 2017 requires that in carrying out our audit of the Corporation, we report on whether:

i. There is a relationship, interest or debt which us, as the Company's auditor, have in the Company;

ii. There are serious breaches by the Company's directors, of corporate governance principles or practices contained in part VII's sections 82 to 122 of the Zambia Companies Act of 2017; and

iii. There is an omission in the financial statements as regards particulars of any loan made to a Corporation officer (a Director, Company Secretary or Executive Officer of the company) during the year, and if reasonably possible, disclose such information in our opinion.

In respect of the foregoing requirements, we have no matter to report.

MPH Chartered Accountants

Lusaka, Zambia

Hampande Hachongo (AUD/F000186)

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2019 K	2018 K
Revenue	9	**591,498,024**	496,926,326
Expenditure			
Depreciation	12 (a) and 12(b)	**(47,180,636)**	(45,076,144)
Employee costs	32	**(278,625,717)**	(218,762,899)
Other operating expenses	33	**(188,372,949)**	(195,707,409)
		77,318,722	37,379,874
Other income	Appendix 1	**35,059,585**	44,209,708
Profit from operations		**112,378,307**	81,589,582
Net finance income and costs	10	**22,049,395**	2,038,486
Profit before tax		**134,427,702**	83,628,068
Income tax expense	11(a)	**(20,167,497)**	(3,217,930)
Profit after tax		**114,260,205**	80,410,138
Other comprehensive income		**-**	-
Total comprehensive income		**114,260,205**	80,410,138

Statement of Financial Position

	Notes	2019 K	2018 K
Assets			
Non-Current Assets			
Property, plant and equipment	12(a)	**785,669,461**	759,692,033
Right- of -use assets	12(b)	**13,020,711**	-
Financial assets at fair value through profit or loss	13	**3,645,912**	3,120,439
		802,336,084	762,812,472
Current Assets			
Inventories	14	**4,963,670**	3,893,658
Tax recoverable	11 (c)	**-**	9,902,865
Trade and other receivables	15	**156,494,278**	132,122,743
Financial assets at amortised cost	16(a)	**25,924,502**	19,570,091
Financial assets at fair value through profit or loss	16(b)	**3,386,571**	1,792,671
Cash and cash equivalents	17(a)	**90,093,439**	41,556,765
		280,862,460	208,838,793
Total Assets		**1,083,198,544**	971,651,265
Equity and Liabilities			
Equity			
Share capital	18	**16,458,500**	16,458,500
Amount received awaiting allotment of shares		**13,928,678**	13,928,678
Revaluation reserves		**217,512,762**	222,477,324
Accumulated profit		**272,174,853**	155,274,168
		520,074,793	408,138,670
Non-Current Liabilities			
Capital grants	19	**251,272,115**	269,732,172
Long-term loans	**20**	**96,124,928**	88,097,122
Deferred income tax	11(c)	**14,037,427**	16,713,345
Obligations under finance leases	21	**4,848,773**	6,989,174
Deferred liability	22	**78,683,965**	73,986,653
		444,967,208	455,518,466
Current Liabilities			
Short term portion of long-term loans	20	**51,148,336**	26,800,324
Obligations under finance leases	21	**6,927,762**	6,569,160
Trade and other payables	23	**45,499,301**	66,422,313
Income tax payable	11(c)	**7,383,685**	-
Bank overdraft	17	**11,724**	21,343
Deferred liability	22	**7,185,735**	8,180,989
		118,156,543	107,994,129
Total Equity and Liabilities		**1,083,198,544**	971,651,265

The financial statements set out on pages 11 to 59, which have been prepared on a going concern basis, were approved by the Board on .... and were signed on its behalf by:

....

Milingo Lungu
Chairperson

Fumu Mondoloka
Director

Statement of Changes in Equity

	Share capital K	Amount received awaiting allotment of shares K	Revaluation reserves K	Accumulated profit K	Total K
Total comprehensive Income					
At 1 January 2018	16,458,500	13,928,678	227,443,637	72,223,550	330,054,365
Profit for the year	-	-	-	80,410,138	80,410,138
Deferred tax on valuation	-	-	2,674,167	-	2,674,167
Dividend paid	-	-	-	(5,000,000)	(5,000,000)
Transfer	-	-	(7,640,480)	7,640,480	-
At 31 December 2018	**16,458,500**	**13,928,678**	**222,477,324**	**155,274,168**	**408,138,670**
Total comprehensive Income					
At 1 January 2019	16,458,500	13,928,678	222,477,324	155,274,168	408,138,670
Profit for the year	-	-	-	114,260,205	114,260,205
Deferred tax on valuation	-	-	2,675,918	-	2,675,918
Dividend paid	-	-	-	(5,000,000)	(5,000,000)
Transfer	-	-	(7,640,480)	7,640,480	-
At 31 December 2019	**16,458,500**	**13,928,678**	**217,512,762**	**272,174,853**	**520,074,793**

Revaluation reserves

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

Accumulated profit

The accumulated profit represents accumulated retained earnings from the operations of the Corporation.

Amount received pending allotment of shares

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

Dividend

Dividend paid during the year was K5,000,000 (2018: K5,000,000).

The accounting policies and notes on pages 15 to 59 form part of these financial statements.

Statement of Cash flows

	Notes	2019 K	2018 K
Cash inflow from operating activities			
Profit before tax		**134,427,702**	83,628,068
Profit on disposal of motor vehicles, PP&E		**(288,721)**	(348,398)
Interest paid	10	**13,506,791**	10,949,956
Interest received	10	**(7,748,972)**	(919,293)
Financial assets at fair value through profit or loss		**(2,119,373)**	(2,297,501)
Depreciation	12(a) and 12 (b)	**47,180,636**	45,076,144
Amortisation of capital grants	19	**(18,460,057)**	(6,875,147)
(Increase) in inventories		**(1,070,012)**	515,258
(Increase)/decrease in trade and other receivables		**(24,371,535)**	(17,180,706)
(Increase)/decrease in assets at amortized cost		**(6,354,411)**	(5,831,314)
(Decrease)/increase in trade and other payables		**(20,923,012)**	(10,381,063)
Increase/(decrease) in deferred liability		**3,702,058**	5,176,770
Revenue grants received-GRZ		**(4,007,820)**	(5,673,359)
Net cash flows from operating activities		**113,473,274**	101,670,729
Returns on investment and servicing of finance			
Interest received	10	**7,748,972**	919,293
Interest paid	10	**(13,506,791)**	(10,949,956)
Dividend paid		**(5,000,000)**	(5,000,000)
Net cash flows from/(used on) returns on investments and servicing of finance		**(10,757,819)**	(20,861,977)
Income tax paid	11(b)	**(2,880,947)**	(35,290,125)
		(2,880,947)	(35,290,125)
Investing activities			
Purchase of plant and equipment	12(a)	**(82,819,062)**	(26,625,488)
Net cash flows used on investing activities		**(82,819,062)**	(26,625,488)
Financing activities			
Long-term loan received	20	**71,730,517**	11,031,912
Finance lease repaid	21	**(5,872,575)**	(7,587,980)
Revenue grants received-GRZ		**4,007,820**	5,673,359
Repayment of loans	20	**(39,354,699)**	(19,405,731)
Proceeds from sale of motor vehicle		**1,019,784**	348,398
Net cash flows from financing activities		**(31,530,847)**	(9,940,042)
Movement in cash and cash equivalents			
Net cash flow		**48,546,293**	8,953,097
Cash and cash equivalents at beginning of the year		**41,535,422**	32,582,325
Cash and cash equivalents at end of the year	17(a) and 17	**90,081,715**	41,535,422

The accounting policies and notes on pages 15 to 59 form part of these financial statements.

Accounting Policies

1.0. Status of the Corporation

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

2.0. Principal activities

The Corporation's principal activity is the provision of airport facilities and services at designatedinternational airports, namely Kenneth Kaunda International Airport, Simon Mwansa Kapwepwe, Harry Mwaaga Nkumbula and Mfuwe International Airports as well as provision of air navigation services throughout Zambia. The Corporation is also in charge of six provincial and three strategic aerodromes.

3.0. Basis of preparation and accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRs). The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Financial instruments – fair value through profit or loss
- Financial instruments – fair value through other comprehensive income
- Contingent consideration
- Revalued property, plant and equipment

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of property, plant and equipment and certain financial assets and liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation`s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 7.0.

4.0. Going concern

During the year, the Corporation recorded a profit before tax of K134.4 million (2018: profit of K83.6million) and its current liabilities increased to K118 million from K108 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.

5.0. Significant accounting policies

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

5.1. Revenue recognition

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

Revenue is recognised on an accrual basis.

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

Increase in the carrying amount arising from revaluation of property, plant and equipment are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same assets are charged against revaluation reserves 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:

Assets are depreciated in full in the year of purchase and nil in year of disposal.

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

Item	Rate
Airport terminals, runways, taxiways and aprons	2.5%
Other leasehold buildings	2.5%
Motor vehicles, furniture and equipment	20%
Specialised plant and equipment	6.67 -15%

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. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

- **Furniture, fixtures and equipment -5 years**
- **Motor vehicles - 4 years**
- **Rental lease-period of lease**

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the Interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

5.4. Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Recognition and initial measurement

Trade receivables, lease receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets (except for trade receivables without a significant financing component) or financial liabilities are initially measured at fair value plus or minus, for items not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to their acquisition or issue. Trade receivables without a significant financing component are initially measured at the transaction price. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). If the Corporation determines that the fair value at initial recognition differs from the transaction price, the Corporation nevertheless recognises the financial instrument at its fair value and accounts for the difference at that date as follows:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Corporation recognises the difference between the fair value at initial recognition and the transaction price, also referred to as "day 1 profit or loss" in Statement of Comprehensive Income.
- In all other cases, the Corporation defers the day 1 profit or loss on the statement of financial position in "Other financial assets". After initial recognition, the Corporation recognises the deferred day 1 profit or loss in Statement of

Comprehensive Income– only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability. Any amounts not recognised in the Statement of Comprehensive Income before the date of maturity or derecognition of the financial instrument is recognised in the Statement of Comprehensive Income on that date.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at either;

i. Amortised cost,

ii. At fair value through other comprehensive income (FVTOCI) ;or

iii. At fair value through profit or loss (Comprehensive Income).

Financial assets are not reclassified subsequent to their initial recognition unless the Corporation changes its business model for managing financial assets, in which case all affected financial instruments are reclassified on the first day of the financial year following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL on initial recognition:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal plus interest (SPPI)on the principal amount outstanding.

The Corporation's financial assets measured at amortised cost include trade and other receivables, short-term deposits, and cash and cash equivalents. Cash and cash equivalents comprise cash at bank and on hand, and highly liquid instruments which are readily convertible to known amounts of cash within 90 days from date of acquisition, subject to an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents include bank overdrafts. A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated at FVTPL on initial recognition:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal plus interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Corporation may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or at FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Corporation makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed and the information provided to management. The Corporation considers the following sources of information in making the assessment:

- The stated policies and objectives of the portfolio and operation of these policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash out flows or realising cash flows through the sale of assets.
- How the performance of the portfolio is evaluated and reported to management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Corporation's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity and administrative costs), as well as a reasonable profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Corporation considers the contractual terms of the instrument. The Corporation also considers the following:

- Contingent events that could change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable rate features.
- Prepayment and extension features.

- Terms that limit the Corporation's claim to cash flows from specified assets (e.g. non-recourse features).

The assessment also includes whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Comprehensive Income unless they are part of an effective hedge accounting relationship.
Financial assets at amortised cost	Subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in Comprehensive Income. Any gain or loss on derecognition is also recognised in Comprehensive Income.
Debt investment at FVTOCI	Subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in Comprehensive Income. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investment at FVTOCI	Subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or at FVTPL. A financial liability is classified at FVTPL if it is held-for-trading, is a derivative or is designated as such on initial recognition. The Corporation's financial liabilities measured at amortised cost include trade and other payables and accruals.

A financial liability may be designated at FVTPL on initial recognition if;

- The contract contains one or more embedded derivatives;
- Such designation would eliminate an accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains or losses on them on different bases; or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to management.

Financial liabilities at FVTPL are measured at fair value and the net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchanges gains and losses, and gains or losses on derecognition are recognised in the Statement of Comprehensive Income under finance charges, except where they are capitalised to qualifying assets.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Recognition of credit losses no longer depends on the Corporation first identifying a credit loss event. Instead the Corporation considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying the forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).
- Stage 3 covers financial assets that have objective evidence of impairment at the reporting date.

Under the general approach in IFRS 9, '12-month expected credit losses' are recognised for stage 1 – except for trade and lease receivables where the simplified approach is applied, and 'lifetime expected credit losses' are recognised for stages 2 and 3.

The Corporation recognises loss allowances for expected credit losses (ECLs) on:

- Financial assets measured at amortised cost, which includes trade and lease receivables;
- Contract assets (as defined in IFRS 15 "Revenue from Contracts with Customers"); and
- Debt investments measured at FVTOCI, short-term deposits and bank balances.

Trade and other receivables

The Corporation applies the simplified approach in IFRS 9 in measuring expected credit losses which uses a lifetime ECLs allowance for all trade and other receivables. To measure the ECLs; trade and other receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers over a one year period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. This includes the customer's credit risk profile, including their latest credit scores, the general macroeconomic conditions as well as industry sector-specific conditions affecting the Corporation's customers.

Investments in short-term deposits and bank balances

The Corporation's short-term deposits and bank balances, which are carried at amortised cost are considered to have low credit risk, and the loss allowance recognised on these assets is therefore limited to 12-months ECLs. Short term deposits and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

If the Corporation considers that credit risk on a financial instrument has increased significantly since initial recognition, the expected credit losses are estimated based on the lifetime ECLs.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Corporation compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Corporation considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Corporation presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Corporation has reasonable and supportable information that demonstrates otherwise.

Event of default

The Corporation considers any of the following as constituting an event of default:

- The debtor is more than 90 days past due.
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realising security (if any is held).

Credit-impaired financial assets

At each reporting date, the Corporation assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on estimated future cash flows of the financial asset have occurred.

The evidence that a financial asset is credit-impaired includes observable data about any of the following events.

- Significant financial difficulty of the debtor or issuer.
- A breach of contract such as default.
- Restructuring of a debt, loan or advance on terms that the Corporation would not consider otherwise.
- It is probable that the debtor will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security because of financial difficulties.

Measurement and recognition of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive) – calculated either on the 12-month or lifetime expected credit losses as applicable – see above. Expected credit losses are discounted at the effective interest rate of the financial asset.

Presentation of allowance for expected credit losses

The Corporation recognises an impairment gain or loss in the Statement of Comprehensive Income with a corresponding adjustment to the carrying amount of the financial asset through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI for which the loss allowance is recognised in other comprehensive income and accumulated in the investment valuation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition

Financial assets

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. The Corporation may enter into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

Write-off

The gross carrying amount of a financial asset is written off or derecognised (either partially or in full) when all attempts to recover the outstanding amount have failed or there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The amount written off is recognised as a reduction to the allowance for ECLs. Financial assets written off may still be subject to enforcement activities under the Corporation's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Statement of Comprehensive Income, as a reduction to the impairment loss for the period.

Financial liabilities

The Corporation derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Corporation also derecognises a financial liability when the terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Statement of Comprehensive Income under finance charges.

Derivative financial instruments

The Corporation enters into foreign exchange forward contracts to manage exchange rate risk. Where forward contracts are accounted for as derivatives, they are recognised initially at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Corporation has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

5.5. 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.

5.6. 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.

5.7. 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.

5.8. Grants

Grant income represents funds received from the Government of the Republic of Zambia during the year. Income from the Government is recognised in the statement of income and expenditure when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant.

Grants that compensate the Company for expenses incurred are recognised in comprehensive income on a systematic basis in the same periods in which the expenses are recognised.

Grants that compensate the Company for the cost of an asset are recognised in comprehensive income on a systematic basis over the useful life of the asset.

5.9. 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.

5.10. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Tax currently payable is based on the results for the year as adjusted for items which are non-assessable or disallowed for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Temporary differences can arise from the recognition for tax purposes of items of income or expense in a different accounting period from that in which they are recognized for financial accounting purposes. The tax effect of these temporary timing differences is computed by applying enacted statutory tax rates to any differences between carrying values per financial statements and their tax base, and accounted for as deferred tax.

Deferred taxation assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

5.11. 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 assets at fair value through other comprehensive income, are included in fair value reserve in equity.

5.12. 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 or loss account in the period the service is rendered.

5.13. Provisions

Restructuring costs and legal claims

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

5.14. Dividend distribution

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

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

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

In the current year, a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) have become effective and are mandatorily effective for an accounting period that begins on or after 1 January 2019.

Standard	Subject of amendment	Effective date and impact
IFRS 16: Leases	IFRS 16 requires lessees to recognise most leases on their statement of financial position. Lessees have a single accounting model for all leases, with two exemptions (low value assets and short term leases).Lessor accounting is substantially unchanged from IAS 17. There are additional disclosure requirements.	1 January 2019. The impact of the amendments are disclosed in note 6.2
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to: • Determine whether uncertain tax positions are assessed separately or as a group; and • Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: • If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. • If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.	The Interpretation is effective for annual periods beginning on or after 1 January 2019. The amendment has no significant impact on the Corporation.
Amendments to IFRS 9: Prepayment Features with Negative Compensation	• The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	The amendment applies to annual periods beginning on or after 1 January 2019. The amendment has had no impact on the Corporation in the current year.

Standard	Subject of amendment	Effective date and impact
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).	The amendment applies to annual periods beginning on or after 1 January 2019. The amendments has no impact on the Corporation.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).	The amendment applies to annual periods beginning on or after 1 January 2019. The amendments has no impact on the Corporation.
Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	IAS 12 Income Taxes The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 Borrowing Costs The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. IFRS 3 Business	Annual periods beginning on or after 1 January 2019. The changes have had no significant impact on the Corporation.

Standard	Subject of amendment	Effective date and impact
	Combinations The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. IFRS 11 Joint Arrangements The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	

6.2. New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Corporation has not applied the following new and revised IFRSs that have been issued but are not yet effective. The Directors do not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Company in future periods, except where indicated:

Title	Description	Effective Date
Amendments to References to the Conceptual Framework in IFRSs	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted	Annual periods beginning on or after 1 January 2020.

Title	Description	Effective Date
	by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	
Definition of a Business (Amendments to IFRS 3)	The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They: • Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum,an input and a substantive process that together significantly contribute to the ability to create outputs; • Narrow the definitions of a business and of outputs by focusing on goods and services provided to customer sand by removing the reference to an ability to reduce costs; • Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Title	Description	Effective Date
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	Annual reporting periods beginning on or after 1 January 2020.
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	Annual reporting periods beginning on or after 1 January 2020.
IFRS 17 Insurance Contracts	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	The Standard is effective for annual reporting periods beginning on or after 1 January 2022.
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	Annual reporting periods beginning on or after 1 January 2022.

6.3. Impact of the application of IFRS 16

The Company adopted IFRS 16 with a transition date of 1 January 2019. The Company has chosen not to restate comparatives on adoption of the standard, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019). Details of the impact the standard has had are given below.

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Transition method and practical expedients utilised

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard.

As a lessee, the Company previously classified leases as finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for all leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Company recognised right-of-use assets and lease liabilities for leases previously classified as finance leases under IAS 17. On adoption of IFRS 17, these leases were measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

Assets	31 December 2018 as previously presented	IFRS 16	1 January 2019
Motor vehicles	4,324,528	4,648,757	4,648,757
Equipment	9,069,588	8,371,955	8,371,955

The assets recognised under right of use were previously held as finance leases and included in Property, Plant and Equipment.

7.0. Critical accounting estimates and judgement in applying accounting policies

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

Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payment of Principal and Interest (SPPI) and the business model test. The Corporation determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Corporation monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Corporation's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Impairment losses on receivables

When measuring expected credit loss the Corporation uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Impairment of assets other than receivables

The carrying amounts of the Corporation's assets other than receivables are reviewed at each reporting date to determine whether there is an indication of impairment. If any such exists, the asset's recoverable amount is estimated. This estimation requires significant judgement.

An impairment loss is recognized in the income statement whenever the carrying amount exceeds the recoverable amount.

Fair value measurement

The carrying amounts of financial assets and liabilities are representative of the Corporation's position at 31 December 2019 and are in the opinion of the Directors not significantly different from their respective fair values due to generally short periods to maturity dates. The significant classes of financial assets and liabilities are as disclosed in the statement of financial position. As far as possible market prices are applied in determining fair values.

Fair value hierarchy

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded amounts; and

- Fair values that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Corporation's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

There were no financial assets and liabilities transferred between levels.

8.0. Management of financial risk

8.1. 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.

8.2. Credit risk

The Corporation has exposure to credit risk, which is the risk that a counter party 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.

8.3. 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.

Notes to the Financial Statements

	2019 K	2018 K
9 Revenue		
Over flight fees	**60,707,362**	47,146,613
Air Navigation fees	**23,611,824**	19,417,137
Passenger service charges	**169,687,521**	141,584,054
Security charges	**37,286,357**	31,216,275
Cute and Cuss	**11,425,441**	8,589,040
Landing fees	**75,262,918**	64,095,616
Parking fees	**5,431,211**	3,208,767
Fuel through put fees	**3,638,379**	3,059,404
Car park	**4,192,399**	3,541,467
Ground handling	**101,569,393**	91,486,067
Rentals	**26,680,401**	23,146,759
Aviation infrastructure fees	**72,004,818**	60,435,127
	591,498,024	496,926,326
10 Net finance income and costs		
Interest on loans	**(13,506,791)**	(10,949,956)
Interest on short term investments	**7,748,972**	919,293
Net exchange gain	**27,807,214**	12,069,149
	22,049,395	2,038,486
11 Income tax expense		
(a) Recognised in the statement of Comprehensive Income		
Income tax on normal income	**12,107,234**	-
Income tax on taxable other income	**8,060,263**	**3,217,930**
	20,167,497	**3,217,930**

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

Notes to the Financial Statements (continued)

	2019 K	2018 K

(b) **Tax reconciliation**
The tax on the Corporation's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2019 K	2018 K
Tax at 35% on profit before tax	**47,154,696**	29,269,824
Non- deductible expenses	**(12,085,360)**	(4,282,205)
Non recognized deferred tax assets	**(14,796,839)**	(21,769,689)
	20,167,497	3,217,930

(c) **Income tax payable/(recoverable)**

	2019 K	2018 K
Tax payable/(recoverable) at beginning of year	**(9,902,865)**	22,169,330
Charge for the year (note 11(a))	**20,167,497**	3,217,930
Taxation paid	**(2,880,947)**	(35,290,125)
Taxation payable/(recoverable) at end of year	**7,383,685**	(9,902,865)

(d) Income tax returns have been filed with the Zambia Revenue Authority for all the years up to 31 December 2019. Quarterly tax returns for the period ended 31 December 2019 were made on the due dates during the year.

(e) **Deferred income tax**

	1 January K	Charged to profit & loss K	Not charged to profit & loss K	Charged to equity K	31 December K
31 December 2018					
Deferred income tax liability (Recognised)					
Revaluation reserves	19,387,512	-	-	(2,674,167)	16,713,345
Deferred income tax asset (not recognised)					
Accelerated capital allowances	(14,959,331)	-	(18,020,075)	-	(32,979,406)
Exchange gains	5,158	-	4,219,044	-	4,224,202
Exchange losses	-	-	-	-	-
Debt provisions	(34,346,498)	-	5,441,709	-	(28,904,789)
Deferred cost	(273,619)	-	(41,298)	-	(314,917)
	(49,574,290)	-	(8,400,620)	-	(57,974,910)
	(30,186,778)	**-**	**(8,400,620)**	**(2,674,167)**	**(41,261,565)**

Notes to the Financial Statements (continued)

(d) Deferred income tax (continued)

	1 January K	Charged to profit & loss K	Not charged to profit & loss K	Charged to equity K	31 December K
31 December 2019					
Deferred income tax liability (Recognised)					
Revaluation reserves	16,713,345	-	-	(2,675,918)	14,037,427
Deferred income tax asset (not recognised)					
Accelerated capital allowances	(32,979,406)	-	24,092,149	-	(8,887,257)
Exchange gains	4,224,202	-	5,508,323	-	9,732,525
Exchange losses	-	-	-		-
Debt provisions	(28,904,789)	-	(4,484,638)	-	(33,389,427)
Deferred cost	(314,917)	-	314,917	-	-
	(57,974,910)	-	25,430,751	-	(32,544,159)
	(41,261,565)	**-**	**25,430,751**	**(2,675,918)**	**(18,506,732)**

Notes to the Financial Statements (continued)

12 (a) Property, plant and equipment

	Airport Terminal, Runways, Taxiways and Aprons K	Motor Vehicles K	Equipment and Furniture K	Capital Work in Progress K	Total K
Cost					
At 1 January 2018	597,275,000	25,398,535	241,677,867	27,676,141	892,027,543
Additions	-	2,381,416	15,863,438	26,860,199	45,105,053
Equipment from GRZ	-	-	186,081,390	-	186,081,390
Disposal	-	(792,677)	(112,428)	-	(905,105)
At 31 December 2018	**597,275,000**	**26,987,274**	**443,510,267**	**54,536,340**	**1,122,308,881**
At 1 January 2019	597,275,000	26,987,274	443,510,267	54,536,340	1,122,308,881
Transfer to right of use assets	-	(6,965,998)	(11,925,479)	-	(18,891,477)
Adjusted balance at 1 January 2019	597,275,000	20,021,276	431,584,788	54,536,340	1,103,417,404
Additions	-	742,303	16,553,045	65,523,714	82,819,062
Transfers	2,078,378	-	31,089,655	(33,168,033)	-
Disposal	-	(4,491,305)	(4,786,339)	-	(9,277,644)
At 31 December 2019	**599,353,378**	**16,272,274**	**474,441,149**	**86,892,021**	**1,176,958,822**
Depreciation					
At 1 January 2018	119,613,314	17,863,395	180,969,100	-	318,445,809
Charge for the year	14,749,056	2,270,350	28,056,738	-	45,076,144
Disposal	-	(792,677)	(112,428)	-	(905,105)
At 31 December 2018	**134,362,370**	**19,341,068**	**208,913,410**	**-**	**362,616,848**
At 1 January 2019	134,362,370	19,341,068	208,913,410	-	362,616,848
Transfer to right of use assets	-	(2,641,470)	(2,855,891)	-	(5,497,361)
	134,362,370	16,699,598	206,057,519	-	357,119,487
Adjusted balance at 1 January 2019					
Charge for the year	14,920,015	1,388,945	26,976,369	-	43,285,329
Disposal	-	(4,352,393)	(4,763,062)	-	(9,115,455)
At 31 December 2019	**149,282,385**	**13,736,150**	**228,270,826**	**-**	**391,289,361**
Net book value					
At 31 December 2019	**450,070,993**	**2,536,124**	**246,170,323**	**86,892,021**	**785,669,461**
At 31 December 2018	**462,912,630**	**7,616,206**	**234,596,857**	**54,536,340**	**759,692,033**

Notes to the Financial Statements (continued)

	2019	2018
	K	K

12 (a) Property, plant and equipment *(continued)*

(i) 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.

(ii) The Corporation acquired certain property, plant and equipment from the Government of the Republic of Zambia, which were the assets of the Department of Civil Aviation. These financial statements include only the value of the assets transferred from the Department of Civil Aviation, which were with the Government based on a valuation carried out by the Government Valuation Department and a letter from the Ministry of Transport and Communications. Title to Harry Mwaanga Nkumbula and Simon Mwansa Kapwepwe airports is in the name of Zambia Airports Corporation Limited whilst title for Mfuwe airport has not been issued. Title for Kenneth Kaunda International Airport is in the name of the Department of Civil Aviation. However, title to Kenneth Kaunda will revert to Zambia Airports Corporation Limited. This process to change ownership of title to the airports is in progress.

(iii) Included in property, plant and equipment are fully depreciated assets with a total cost of K169,750,295 (2018:K52,006,325).

12 (b) Right -of- Use assets - December 2019

At cost	**Motor Vehicles**	**Equipment**	**Total**
	K	**K**	**K**
Recognised at 1 January 2019	**6,965,998**	**11,925,479**	**18,891,477**
Additions	3,588,863	1,765,991	**5,354,854**
Disposal	(2,396,125)	-	**(2,396,125)**
At 31 December 2019	**8,158,736**	**13,691,470**	**21,850,206**
Accumulated depreciation			
Recognised at 1 January 2019	2,641,470	2,855,891	**5,497,361**
Charge for the year	1,431,683	2,463,624	**3,895,307**
Disposal	(563,173)	-	(563,173)
At 31 December	**3,509,980**	**5,319,515**	**8,829,495**
Carrying amount			
At 31 December 2019	**4,648,757**	**8,371,955**	**13,020,711**

Notes to the Financial Statements (continued)

	2019 K	2018 K

The Company leases motor vehicles and equipment on a three year lease.

The maturity analysis of lease liabilities is presented in note 21

	31/12/2019
Amounts recognized in profit or loss	
Depreciation expense on right-of-use assets	3,895,307
Interest expense on lease liabilities	2,811,020

The total cash outflow for the leases amount to K5,872,575.

		2019 K	2018 K
13	**Financial assets at fair value through profit or loss**		
	ZEGA Limited.- 10% interest	**3,645,912**	3,120,439
14	**Inventories**		
	Consumable stores	**4,963,670**	3,893,658
15	**Trade and other receivables**		
	Trade debtors	**212,118,114**	173,270,346
	Less: provision for impairment losses	**(72,129,745)**	(61,238,329)
		139,988,369	112,032,017
	Sundry creditors in debit	**2,160,558**	1,872,101
	Staff loans and advances	**5,999,128**	4,922,017
	Deposits and prepayments	**8,346,223**	12,974,760
	Interest receivable	**-**	321,848
		156,494,278	132,122,743
16(a)	**Financial assets at amortised cost**		
	Zambia Industrial Commercial Bank	**7,074,152**	6,707,501
	Atlasmara Bank	**18,732,198**	12,749,304
	Finance Building Society	**118,152**	113,286
		25,924,502	19,570,091
	180 days fixed term deposits	**118,152**	113,286
	91 days fixed term deposits	**25,806,350**	19,456,805
		25,924,502	19,570,091

Notes to the Financial Statements (continued)

		2019 K	2018 K
16(b)	**Financial assets at fair value through profit or loss**		
	Madison Unit Trust	**3,386,571**	1,792,671
		3,386,571	1,792,671
17	**Cash and cash equivalents**		
	Cash in hand and at bank (note (a))	**90,093,439**	41,556,765
	Bank overdrafts	**(11,724)**	(21,343)
		90,081,715	41,535,422
	(a) Cash in hand and at bank		
	Bank balances	**90,083,379**	41,539,862
	Cash in hand	**10,060**	16,903
		90,093,439	41,556,765

Included in the cash in hand and at bank is USD 40,000 deposited as security for the credit cards issued by Access Bank Zambia Limited.

18	**Share capital**		
	Authorised, issued and fully paid		
	16,458,500 ordinary shares at 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 Corporation into share capital. As at balance sheet date K14,988,322 had been allotted and the balance of K13,928,678 is held awaiting allotment of shares.

19	**Capital grants**		
	At beginning of the year	**269,732,172**	90,525,929
	Addition during the year	**-**	186,081,390
	Amortisation during the year	**(18,460,057)**	(6,875,147)
		251,272,115	269,732,172

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

Notes to the Financial Statements (continued)

		2019 K	2018 K
20	**Long-term loans**		
	Zambia National Commercial Bank Plc		
	At beginning of the year	**114,897,446**	123,271,265
	Additions during the year	**71,730,517**	11,031,912
	Repayments during the year	**(39,354,699)**	(19,405,731)
	Balance at the year end	**147,273,264**	114,897,446
	Portion repayable within next 12 months	**51,148,336**	26,800,324
	Portion repayable after 12 months	**96,124,928**	88,097,122
		147,273,264	114,897,446

The ZANACO facilities represent US$30,000,000 loans bearing interest at 9% and repayable by June 2022. The loans are secured by the assignment of foreign currency receivables from IATA.

		2019 K	2018 K
21	**Obligations under finance leases**		
	At beginning of the year	**13,558,334**	2,666,748
	Additions during the year	**5,354,854**	18,479,566
	Cancelled lease	**(1,264,078)**	-
	Repayments during the year	**(5,872,575)**	(7,587,980)
	At end of year	**11,776,535**	13,558,334
	Repayable within next 12 months	**6,927,762**	6,569,160
	Repayable between 2 to 5 years	**4,848,773**	6,989,174
		11,776,535	13,558,334

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

22 Deferred liability

Deferred liability relates to provision for terminal benefits amounting to K85.8 million inclusive of 12% interest. The deferred liability relates to accrued terminal benefits due to staff at 1 April 2008 arising from long service gratuity. The liability was frozen at that date and is payable to eligible staff upon separation from the Corporation.

	2019 K	2018 K
At the beginning of the year	**82,167,642**	76,990,871
Interest	**8,339,467**	14,810,516
Payments	**(4,637,409)**	(9,633,745)
	85,869,700	82,167,642
Repayable within next 12 months	**7,185,735**	8,180,989
Repayable after 12 months	**78,683,965**	73,986,653
	85,869,700	82,167,642

Notes to the Financial Statements (continued)

	2019 K	2018 K

22 Deferred liability (*continued)*

On 1 April 2008, the Corporation converted the unfunded long service gratuity benefit scheme to a defined contribution scheme. The liability is expected to be completely transferred to pension managers over the next 5 years and attracts interest at 12% per annum.

For the new defined contribution scheme, the Corporation contributes 10% of basic salary whilst employees contribute 5%.
The total charge to income is as follows:

	2019 K	2018 K
Current year contribution on defined contribution scheme	**7,896,650**	5,403,166
Interest on discontinued long service gratuity.	**8,339,467**	14,810,516
	16,236,117	20,213,682

23 Trade and other payables

	2019 K	2018 K
Trade creditors(note i)	**15,423,289**	46,009,161
Debtors in credit	**1,628,597**	1,676,856
Leave pay	**11,995,120**	10,241,100
Gratuity	**8,066,391**	6,319,139
Accruals	**3,582,924**	375,817
Other creditors and provisions	**4,802,980**	1,800,240
	45,499,301	66,422,313

Note (i)

	2019 K	2018 K
Current	**13,351,445**	17,023,421
Past due-1-90 days	**2,071,844**	17,924,369
Past due-91-365 days	**-**	7,469,821
Past over 365 days	**-**	3,591,550
	15,423,289	46,009,161

Notes to the Financial Statements (continued)

		2019 K	2018 K

24. Derivatives

The Company enters into forward contracts. These contracts run from 1 January of one year to 31 December of the same year. No contracts strad the reporting date.

25. Financial instruments-risk management

Capital management

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

Gearing ratio

The Corporation reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Corporation has a 31% gearing ratio (2018: 28%).

Categories of financial instruments

Financial assets

	Notes	2019 K	2018 K
Cash and bank balances	17 (a)	**90,093,439**	41,556,765
Staff loans and advances	15	**5,999,128**	4,922,017
Deposits and prepayments	15	**8,346,223**	12,974,760
Trade receivables	15	**139,988,369**	112,032,017
Financial assets at amortised cost	16(a)	**25,924,502**	19,570,091
Financial assets at fair value	16(b)	**3,386,571**	1,792,671
Sundry creditors in debit	15	**2,160,558**	1,872,101
Interest receivable	15	**-**	321,848
		275,898,790	195,042,270

Financial liabilities held at amortised cost or fair value

	Notes	2019 K	2018 K
Trade payables	23	**15,423,289**	46,009,161
Debtors in credit	23	**1,628,597**	1,676,856
Leave pay	23	**11,995,120**	10,241,100
Gratuity	23	**8,066,391**	6,319,139
Accruals	23	**3,582,924**	375,817
Other payables and provisions	23	**4,802,980**	1,800,240
Zambia National Commercial Bank Plc-long-term loans	20	**147,273,264**	114,897,446
Stanbic Bank Zambia Limited-finance leases	21	**11,779,535**	13,558,334
Employee terminal benefits	22	**85,869,700**	82,167,642
		290,421,800	277,045,734

Notes to the Financial Statements (continued)

	2019 K	2018 K

25. Financial instruments-risk management (continued)

Financial risk management objectives

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

Market risk

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

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

Foreign currency risk management

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

Currency	Asset/liabilities	2019 K	2018 K
US Dollars	Trade creditors	**(1,105,374)**	(3,852,718)
US Dollars	Bank balances	**6,453,045**	3,472,737
US Dollars	Receivables	**10,032,851**	11,036,752
US Dollars	ZANACO loans	**(10,554,953)**	(9,459,913)
US Dollars	Stanbic finance leases	**(844,230)**	(1,102,690)

The Corporation is exposed to foreign exchange risk arising primarily from importation of goods, services and receivables denominated in foreign currency.

	Mid-market exchange rates as at 31 Dec 2019	Mid-market exchange rates as at 31 Dec 2018	Average currency depreciation during the year
US Dollars	13.953	11.942	16%

At 31 December 2019, if the US Dollar had appreciated or depreciated by 10% against the Kwacha, with all other variables held constant, the increase or decrease in the profit for the year would have been K398,134 (2018: K9,417).

Notes to the Financial Statements (continued)

		2019 K	2018 K

25. Financial instruments-risk management (continued)

Interest rate risk management

The exposure to interest rate risk 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 obligations resulting in financial loss to the Corporation. The Corporation 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.

Exposure to credit risk

The Corporation`s maximum exposure to credit risk is analysed below:

	Notes	2019 K	2018 K
Trade receivables	15	**139,988,369**	112,032,017
Sundry creditors in debit	15	**2,160,558**	1,872,101
Staff loans and advances	15	**5,999,128**	4,922,017
Deposits and prepayments	15	**8,346,223**	12,974,760
Interest receivable	15	**-**	321,848
Financial assets at amortised cost	16(a)	**25,924,502**	19,570,091
Financial assets at fair value through profit or loss	16(b)	**3,386,571**	1,792,671
Cash and bank balances	17(a)	**90,093,439**	41,556,765
		275,898,790	195,042,270

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 Corporation`s short, medium and long-term funding and liquidity management requirements. The Corporation 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 Corporation'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.

Notes to the Financial Statements (continued)

	Note	1 to 3 months	3 months to 1 year	More than 1 year	Total
31December 2019		**K**	**K**	**K**	**K**
Liabilities					
Trade payables	23	15,423,289	-	-	15,423,289
Debtors in credit	23	1,628,597	-	-	1,628,597
Leave pay	23	-	11,995,120	-	11,995,120
Gratuity	23	-	8,066,391	-	8,066,391
Accruals	23	3,582,924	-	-	3,582,924
Other creditors and provisions	23	4,802,980	-	-	4,802,980
Zambia National Commercial Bank loans	20	-	51,148,336	96,124,928	147,273,264
Stanbic bank Zambia Limited-leases	21	-	6,927,762	4,848,773	11,776,535
Deferred liability	22	-	7,185,735	78,683,965	85,869,700
		25,437,790	**85,323,344**	**179,657,666**	**290,418,800**
31 December 2019					
Assets					
Bank and cash balances	17(a)	90,093,439	-	-	90,093,439
Financial assets at amortised cost	16(a)	25,806,350	118,152	-	25,924,502
Staff loans and advances	15	1,879,806	965,698	3,153,624	5,999,128
Deposits and prepayments	15	8,346,223	-	-	8,346,223
Trade receivables	15	139,988,369	-	-	139,988,369
Sundry creditors in debit	15	2,160,558	-	-	2,160,558
Financial assets at fair value through profit or loss	6(b)	-	3,386,571	-	3,386,571
		268,274,745	**4,470,421**	**3,153,624**	**275,898,790**

Notes to the Financial Statements (continued)

25. Financial instruments-risk management (continued)

Liquidity risk management (continued)

	Notes	1 to 3 months	3 months to 1 year	More than 1 year	Total
		K	K	K	K
31 December 2018					
Liabilities					
Trade payables	23	46,009,161	-	-	46,009,161
Debtors in credit	23	1,676,856	-	-	1,676,856
Leave pay	23	-	10,241,100	-	10,241,100
Gratuity	23	-	6,319,139	-	6,319,139
Accrual	23	375,817	-	-	375,817
Other creditors and provisions	23	1,800,240	-	-	1,800,240
Zambia National Commercial Bank loans	20	-	26,800,324	88,097,122	114,897,446
Stanbic Zambia Limited-lease	21	-	6,569,160	6,989,174	13,558,334
Deferred liability	22	-	8,180,989	73,986,653	82,167,642
		49,862,074	**58,110,712**	**169,072,949**	**277,045,735**
31 December 2018					
Assets					
Bank and cash balances	17(a)	41,556,765	-	-	41,556,765
Financial assets at amortised cost	16	19,456,805	113,286	-	19,570,091
Staff loans and advances	15	1,147,171	1,178,029	2,596,817	4,922,017
Deposits and prepayments	15	12,974,760	-	-	12,974,760
Trade receivables	15	112,032,017	-	-	112,032,017
Sundry creditors in debit	15	1,872,101	-	-	1,872,101
Financial assets at fair value through profit or loss	16(b)	1,792,671	-	-	1,792,671
		190,832,290	**1,291,315**	**2,596,817**	**194,720,422**

Notes to the Financial Statements (continued)

25. Financial instruments-risk management (continued)

Fair value measurements

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

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Notes to the Financial Statements (continued)

25. Financial instruments-risk management (continued

Fair value measurements (continued)

	Note	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Financial assets		K	K	K	K
Bank and cash balance	17(a)	**90,093,439**	**90,093,439**	41,556,765	41,556,765
Financial assets at amortised cost	16(a)	**25,924,502**	**25,924,502**	19,570,091	19,570,091
Trade receivables	15	**139,988,369**	**139,988,369**	112,032,017	112,032,017
Receivables from employees	15	**5,999,128**	**5,999,128**	4,922,017	4,922,017
Deposits and prepayments	15	**8,346,223**	**8,346,223**	12,974,760	12,974,760
Sundry creditors in debit	15	**2,160,558**	**2,160,558**	1,872,101	1,872,101
Financial assets at fair value through profit or loss	16(b)	**3,386,571**	**3,386,571**	1,792,671	1,792,671
Tax recoverable	11(c)	-	-	9,902,865	9,902,865
Interest receivable	15	-	-	321,848	321,848
Financial liabilities					
Trade payables	23	**15,423,289**	**15,423,289**	46,009,161	46,009,161
Debtors in credit	23	**1,628,597**	**1,628,597**	1,676,856	1,676,856
Deferred liability	22	**85,869,700**	**85,869,700**	82,167,642	82,167,642
Other payables and provisions	23	**4,802,980**	**4,802,980**	1,800,240	1,800,240
Leave pay	23	**11,995,120**	**11,995,120**	10,241,100	10,241,100
Gratuity	23	**8,066,391**	**8,066,391**	6,319,139	6,319,139
Accruals	23	**3,582,924**	**3,582,924**	375,817	375,817
Zambia National Commercial Bank	20	**147,273,264**	**147,273,264**	114,897,446	114,897,446
Stanbic bank Zambia Limited	21	**11,776,535**	**11,776,535**	13,558,334	13,558,334

Notes to the Financial Statements (continued)

	2019 K	2018 K

25. Financial instruments-risk management (continued

Credit risk-trade debtors analysis

	2019			2018		
	Gross K	**Impairment K**	**Net K**	Gross K	Impairment K	Net K
Current	**52,267,334**	**(12,532,809)**	**39,734,525**	41,453,183	(1,243,595	40,209,588
Past due 0 -30 days	**44,788,813**	**(9,401,172)**	**35,387,641**	40,123,570	(4,706,495)	35,417,075
Past due 31-90 days	**9,206,540**	**(403,246)**	**8,803,294**	10,416,730	(770,838)	9,645,892
Past due 91-120days	**4,086,627**	**(78,463)**	**4,008,164**	6,727,598	(1,259,406)	5,468,192
Past due 121-180 days	**101,768,800**	**(49,714,055)**	**52,054,745**	74,549,265	(53,257,995)	21,291,270
	212,118,114	**(72,129,745)**	**139,988,369**	173,270,346	(61,238,329)	112,032,017

Impairment losses

	2019	2018
Movement in impairment provision		
At beginning of the year	**61,238,329**	84,927,909
Provisions write off during the year	**-**	(78,690,845)
Charge during the year	**10,891,416**	55,001,265
At year end	**72,129,745**	61,238,329

Notes to the Financial Statements (continued)

	2019 K	2018 K

26 Related party transactions

(a) Identification of related parties

The Corporation undertakes to disclose the nature of related party relationships, and types of related party transactions necessary for the understanding of the annual financial statements.
In the context of the Corporation related party transactions include any transactions carried out with any of the following:

- Government ministries and parastatals;
- Board members; and
- Key management personnel

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

(b) Transactions with related parties

(i) Key management compensation

	2019 K	2018 K
Salaries and other short term employee benefits	**7,498,815**	8,210,296
Termination benefits	**5,167,472**	5,388,005
(ii) Directors fees	**3,138,389**	2,742,065
(iii) Surveillance radar system-GRZ	**-**	186,081,390
(iv) Aerodrome support-GRZ	**3,872,262**	1,643,583

(c) Balances due from related parties

Executive Directors and key management

	2019 K	2018 K
(i) Loans and advances	**1,116,792**	2,033,676

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

Notes to the Financial Statements (continued)

	2019 K	2018 K
27 Dividend		
The proposed dividend (K0.243 per share)	-	5,000,000

The Directors do not recommend a dividend for the year ended 31 December 2019 due to the post effects of the coronavirus. A cash buffer is required to sustain the operations of the Corporation.

28 Contingent liabilities

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

	2019 K	2018 K
Approved by the Board but not contracted	-	40,602,800

30 Events subsequent to the reporting date

In December 2019, a novel strain of coronavirus was reported in China. Subsequently the virus has spread across the world resulting in major disruption to economic activities across the world including Zambia. According to International Monetary Fund (IMF), the virus outbreak will slow global economic growth this year, but the extent of the drop remains unclear. Economic effects of the COVID-19 are two-fold namely through economic channels on the supply side such as factory closures, reduced work hours, cutbacks in service provision and supply chain disruption. On the demand side, reduced private consumption, cancellation of business and tourism travels and education and entertainment services. Currently the containment measures around the world are quarantine, travel bans and restrictions, lockdowns and closure of public places. Airport Council International (ACI) estimates above US$46 billion total airport industry losses for 2020. Passenger traffic is expected to decline between 20% to 50% between March and June depending on how the situation will evolve.

The travel bans across the globe has negatively impacted the aviation industry. From the perspective, Zambia Airports Corporation Limited, three international airports namely SMKIA, HMNIA and Mfuwe have been closed for international flights in order to effectively manage the spread of the coronavirus. In March the Corporation received notification of suspension of flights from all the major carriers up to end of May, however, lifting up of the suspension will be subject to how the COVID-19 will evolve across the globe.

From the Corporation financial perspective, this has eroded the aviation revenue as 90% of the operating revenue accounts for aeronautical income.

To mitigate the loss in revenue, the management has put up stringent measures to manage the costs during this lean period which includes revising operating hours for all airports, suspending recruitments, suspending granting of staff advances ,loans and also allowed staff to take up their leave to reduce the cost to the Corporation. Most capital projects have been deferred to next financial year.

Notes to the Financial Statements (continued)

	2019	2018
	K	K

30 Events subsequent to the reporting date (continued)

Management has further engaged the Company's lenders on deferment of payment of the principle portion of loans and leases and rescheduling of FX Forward obligations from April to August 2020.

As the COVID-19 pandemic is complex and rapidly evolving, the Company's plans as described above may change. At this point, management cannot reasonably estimate the duration and severity of this pandemic, nor can management estimate the full impact on the business, results of operations, financial position and cash flows.

31 Comparatives

Comparatives figures under note 15 and 25 for 2018 have been reclassified in order to have meaningful comparison with the current year.

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

	2019 K	2018 K
32 Employee costs		
Salaries and wages	**220,322,566**	178,103,483
Other staff costs	**58,303,151**	40,659,414
	278,625,717	218,762,899
33 Other operating expenses		
Printing and stationary	**7,146,865**	7,633,641
Books and periodicals	**81,760**	57,862
Subscriptions-Corporation	**790,967**	483,875
Office expenses	**296,535**	485,454
Postage	**402,138**	4,886,017
Telephone and internet	**3,128,106**	3,005,138
Cleaning materials	**1,927,026**	1,996,790
Travel expenses - local	**6,843,062**	5,852,311
Travel expenses-foreign	**4,996,510**	3,828,111
Electricity	**5,533,245**	4,874,912
Water	**473,768**	507,482
Land rates	**3,706,292**	3,423,823
Hire of transport	**7,450,194**	6,339,135
Aviation security	**3,048,295**	4,023,986
Security expenses	**4,102,661**	2,667,751
Cargo and mail	**18,143,439**	11,112,892
Cleaning services	**3,087,063**	2,790,079
SITA charges	**16,985,071**	7,369,640
Insurance	**1,653,880**	463,831
Staff uniforms	**17,952**	3,048,490
Protective clothing	**803,358**	1,412,768
Firefighting form	**1,110,629**	735,483
Motor vehicle expenses	**5,259,927**	4,755,300
Repairs and maintenance	**37,652,614**	32,430,984
Consultancy	**9,659,467**	5,067,852
Legal fees	**496,904**	570,758
External audit	**611,382**	645,988
Directors` fees and expenses	**3,138,389**	2,742,065
Balance carried forward	**148,547,499**	119,345,719

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