Zambia AIRPORTS Corporation Limited

Annual Report 2022

Our Vision

To be a world-class and diversified airport and air navigation business.

Our Mission

To develop, manage and operate airport and air navigation infrastructure to international standards, meeting our stakeholders' values in an environmentally friendly manner, while profitably contributing to national economic development.

Strategic Proposition

Our strategy reflects our response plan in the short, medium and long term, by setting goals and objectives and explaining how we aim to succeed. Our focus is on achieving the following strategic goals under the 2022 – 2026 Strategic Plan:

- To enhance financial sustainability and resilience.
- To re-imagine customer experience.
- To reinvent the Corporation.
- To attain aviation safety and security leadership.
- To create a positive work environment.
- To transform KKIA into a SADC aviation hub by the year 2030.
- To promote environmental sustainability.

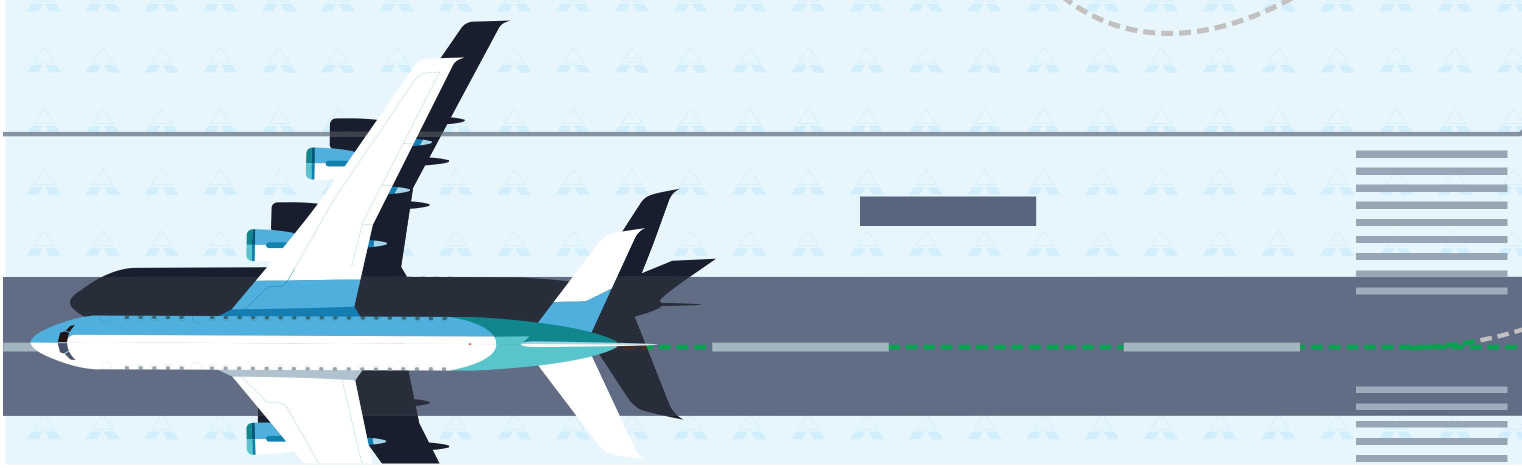
Our Core Values

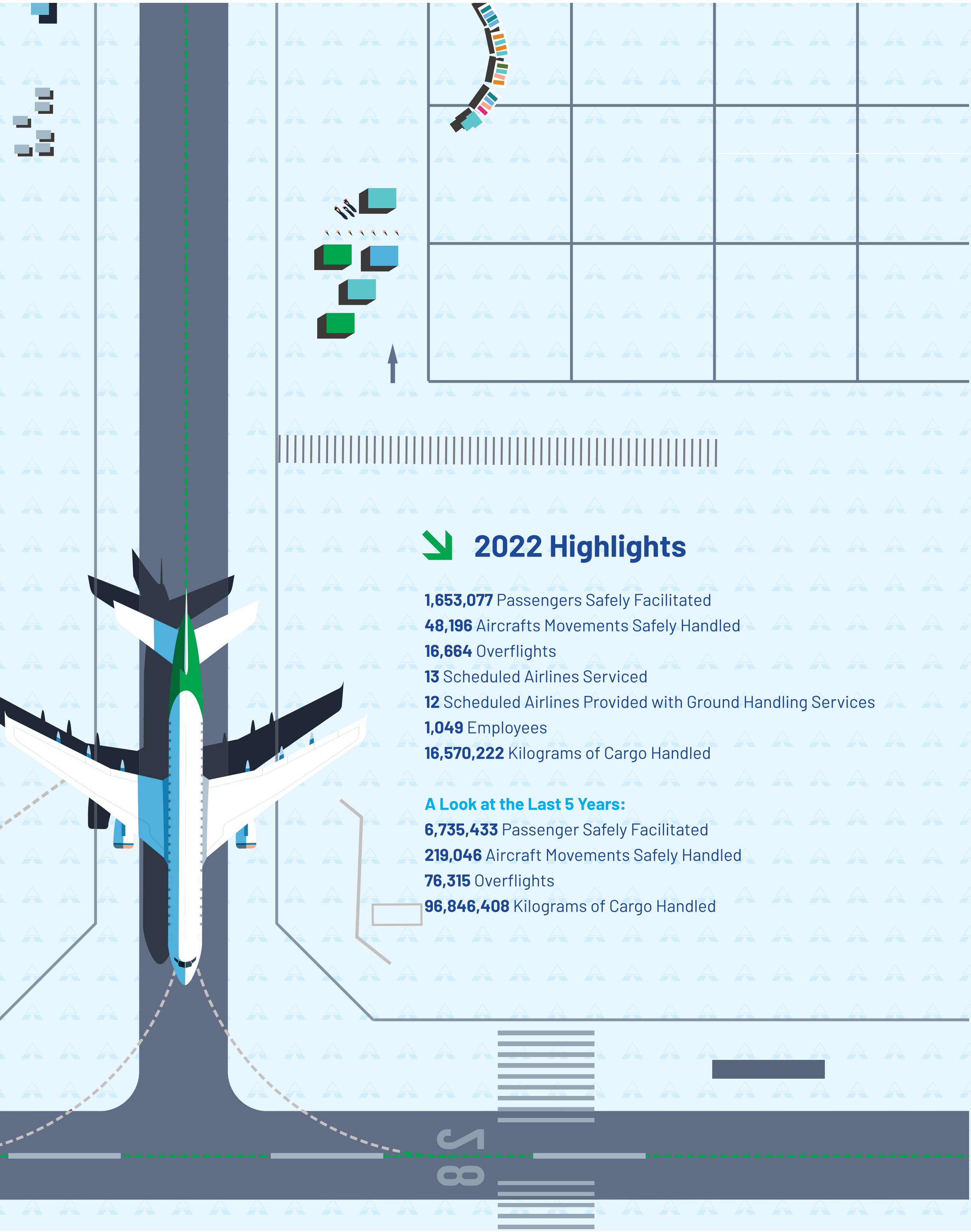
- Integrity
- Responsibility
- Teamwork
- Quality
- Employee motivation
- Communication
- Customer Focus
- Safety & Security

Contents

Acronyms

ACI	Airports Council International
ANS	Air Navigation Services
APS	Airport Services
ASQ	Airport Service Quality
CAA	Civil Aviation Authority
CANSO	Civil Air Navigation Services Organisation
COVID-19	Corona Virus Disease of 2019
CMA	Continuous Monitoring Approach
CSR	Corporate Social Responsibility
BOT	Build Operate and Transfer
GRZ	Government of the Republic of Zambia
HMNIA	Harry Mwaanga Nkumbula International Airport
IATA	International Air Transport Association
ICAO	International Civil Association Organisation
ILS	Instrument Landing System
IPC	Infection Prevention and Control
ISO	International Organisation for Standardisation
KKIA	Kenneth Kaunda International Airport
MIA	Mfuwe International Airport
MTL	Ministry of Transport and Logistics
PSC	Passenger Service Charge
SABS	South African Bureau of Standards
SITA	Société Internationale de Télécommunications
SMKIA	Simon Mwansa Kapwepwe International Airport
SPV	Special Purpose Vehicle
USAP	Universal Security Audit Programme
WHO	World Health Organisation
ZACL	Zambia Airports Corporation Limited
8NDP	Eighth National Development Plan





2022 Highlights

1,653,077 Passengers Safely Facilitated
48,196 Aircrafts Movements Safely Handled
16,664 Overflights
13 Scheduled Airlines Serviced
12 Scheduled Airlines Provided with Ground Handling Services
1,049 Employees
16,570,222 Kilograms of Cargo Handled

A Look at the Last 5 Years:

6,735,433 Passenger Safely Facilitated
219,046 Aircraft Movements Safely Handled
76,315 Overflights
96,846,408 Kilograms of Cargo Handled

Our Auditors

GrantThornton

Our Bankers

absa

Stanbic Bank
A member of Standard Bank Group

standard chartered

zanaco

Our Co-Operating Partners

European Union – 11th EDF (European Development Fund)

Our Key Airport Partners

International Organisations Memberships

Certifications

We are committed to continuous improvement and have established a Quality Management System which provides a framework for measuring and improving our performance. We maintained our ISO 9001:2015 Certification following a surveillance audit by the South African Bureau of Standards (SABS). This is a clear demonstration of our commitment to providing our esteemed customers and stakeholders with services which meet and even exceed their expectations.

Areas of Recognition

1. **World Luxury Travel Awards** - KKIA won the prestigious World Luxury Travel Awards in November 2022. The airport was nominated in the category of **"International Airport – Africa"**. Established in 2006, the World Luxury Travel Awards are the pinnacle of achievement in the luxury industry offering international recognition as voted by guests, travellers and industry players alike.
2. **ACI** - recognises ZACL as a member
3. **IATA** - recognises ZACL as a ground handling partner

Board of Directors

Mr. Zevyanji Sinkala
Chairperson
(Appointed 6th September 2022)

Dr. Frank Gunn Munthali
Vice Chairperson
(Appointed 6th September 2022)

Mr. Mulele Maketo Mulele
Member
(Appointed 6th September 2022)

Mrs. Irene Tembo
Member
(Appointed 6th September 2022)

Mrs. Maggie B. Kaunda
Acting Managing Director

Mrs. Shubayi Chatora Kalumba
Corporation Secretary

Management

Mrs. Maggie Banda Kaunda
Deputy Managing Director
(Acting Managing Director)

Mr. Azzaam Bvulani
Director Airport Services
(Retired July 2022)

Mr. Joseph Mumbi
Acting Director Airport Services
(From July 2022)

Ms. Gillian Mazimba
Director Finance

Mr. Cosam Ngoma
Director Corporate Planning and Strategy

Mrs. Shubayi Chatora Kalumba
Corporation Secretary

Mr. Brian Chintu
Director Commercial Services
(Retired July 2022)

Dr. Martin Chasha
Director Human Resource
(Retired July 2022)

Mr. Patrick Tembo
Acting Director Human Resource
(From July 2022)

Mr. Kephas M. Phiri
Acting Director Commercial Services
(From July 2022)

Mr. Ariel Phiri
Director Air Navigation Services

2021	% CHANGE	2022
OPERATING REVENUE K396.9 million	56%	OPERATING REVENUE K617.97 million
AERONAUTICAL REVENUE K361 million	57%	AERONAUTICAL REVENUE K566.5 million
NON-AERONAUTICAL REVENUE K35.1 million	43%	NON-AERONAUTICAL REVENUE K51.4 million
GENERAL PASSENGERS 753,930	119%	GENERAL PASSENGERS 1,653,077
ENPLANED PASSENGERS 249,642	114%	ENPLANED PASSENGERS 535,085
SCHEDULED AIRLINES 12	8%	SCHEDULED AIRLINES 13
CARGO 19,643 TONNES	-15%	CARGO 16,570 TONNES
AIRCRAFT MOVEMENTS 33,984	42%	AIRCRAFT MOVEMENTS 48,196
ESTABLISHMENT 1,052	-0.3%	ESTABLISHMENT 1,049

1 About Us

Zambia Airports Corporation Limited (ZACL) is a company limited by shares and registered under the Companies Act No. 10 of 2017 and wholly owned by the Government of the Republic of Zambia. The primary business activity for the Corporation is to develop, manage, and maintain a network of four (04) designated international airports, seven (07) provincial and three (03) strategic aerodromes and to provide air navigation services across the entire Zambian airspace.

Our Value Creation Model

Our revenue is generated from aeronautical and non-aeronautical sources. Aeronautical revenue is derived from Government-regulated charges such as the passenger service charges paid by domestic and international operators. Other fees are for services such as air navigation, aircraft landing and parking and ground handling. Non-aeronautical revenue is derived from multiple sources that include rentals, concession fees, fuel throughput, car park fees and advertising.

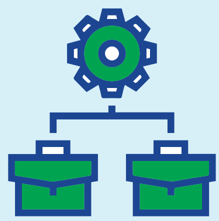
The Corporation contributes to the country's industrialisation and economic diversification agenda by facilitating trade and tourism which in turn spur economic growth, creates jobs and contributes to Government revenues through taxes.

Tourism

- Connecting tourists to tour sites
- Promoting sustainable economic development
- Economically benefiting local economies

Trade

- Facilitating global business
- Connecting Zambia to traders and investors globally



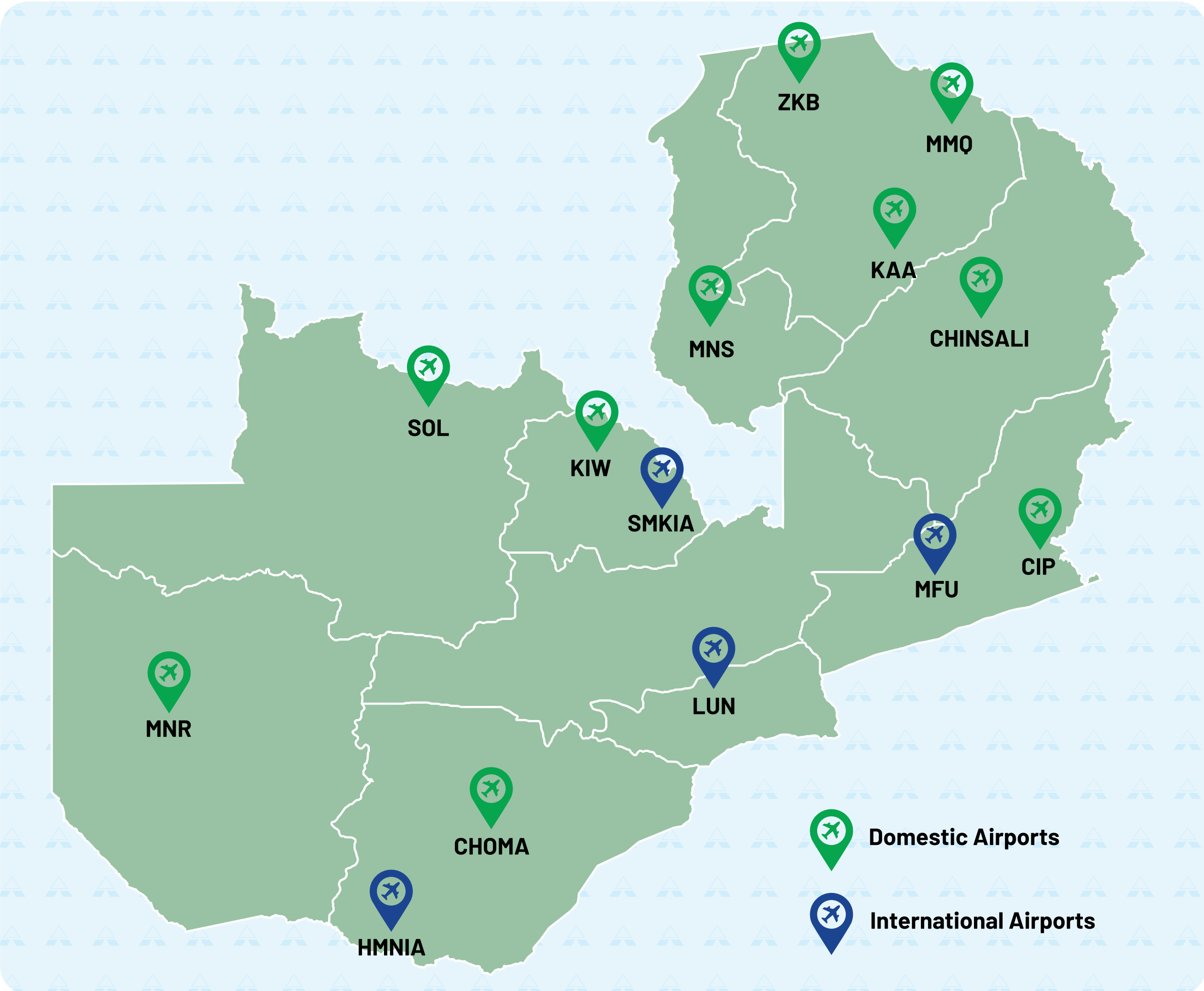
Job Creation

- 1,049 Direct Jobs at ZACL
- Estimated 5 jobs for every 1 direct job at ZACL
- 5,245 indirect Jobs
- Induced benefits of employee spending

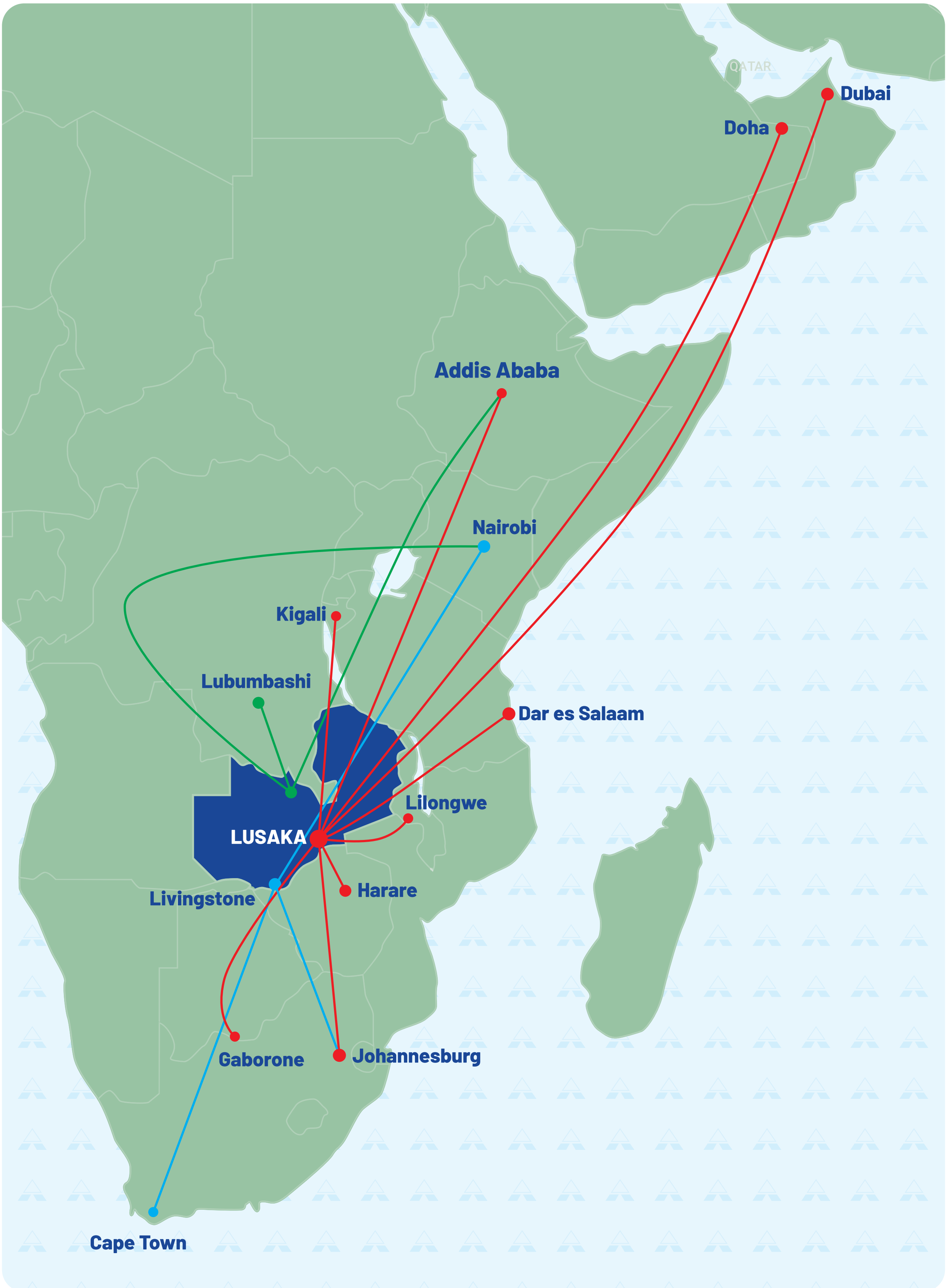
Taxes

- PAYE
- Income Tax
- VAT

Our Airport Footprint



International Flight Route Map



2 Our Strategic Focus in Perspective

Our strategic focus is to transform from being a mere airport operator that provides airport and air navigation services to a diversified and complex business operation within a dynamic and competitive aviation landscape. Diversification and broadening the financial base and building operational and financial resilience is the thrust of our strategic intent. Our approach to airports development will be a paradigm shift from mere capacity expansion to innovation and resilience, commercialisation, and maintenance to match projected increased traffic. Repurposing our built-up capacity and utilising existing infrastructure and equipment to maximise return on capital deployed will be central to our operations. This reinforces Government's plea for the sector to be competitive and economically viable as echoed by His Excellency President Hakainde Hichilema in his speech during the ceremonial opening of the 2nd session of the 13th National Assembly.

3 Our Enterprise Risk Management System

Management of risks and identifying opportunities bolster our ability to create sustained value for our shareholders. The risk management process for the Corporation encompasses identification, assessment, evaluation, treatment, monitoring, reviewing, recording, and reporting of risks across all operational and support departments. Risks are identified from both internal and external inspections, audit findings or observations. Risks are also identified during the normal course of work by employees and reported for action. Information gathering, both formal and informal from airport users and general members of staff is also used. Ad hoc risks are reported through hazard identification forms, incident or complaint reporting via non-conformance report forms, and incident reports or other communication channels such as email.

We understand that to deliver on our strategy, we must be responsive to opportunities, as well as the associated risks, without endangering the vested interests of our shareholders. With our robust risk and business management practices in place, the Corporation is able to proactively identify and assess risks then quickly take steps to address them before they adversely impact achievement of strategic objectives. Our response to our strategic risks is shown below:

Risk Name	Description	Risk Level	Mitigation
COVID-19 pandemic	Continued mutations and new variants threaten the Corporation's ability to achieve strategic objectives - affecting traffic and liquidity.	Medium	• Survival & Financial resilience strategy implemented. • IPC measures implemented to boost passenger confidence. • Liaise with MOH to showcase the low COVID-19 positivity and death rates. • Heighten vaccine awareness to curb stigma and provide latest information for travellers through embassies, travel agencies, ZACL website etc.
Inadequately diversified revenue portfolio	Inadequately diversified revenue portfolio (90% aeronautical and 10% non-aeronautical revenue) exposing the Corporation to passenger demand shifts.	High	• Execution of Commercial strategy to enable growth in non-aeronautical revenue.
Inadequate air traffic demand	Although travel confidence is steadily rising, air traffic – passenger and cargo – is still inadequate to support planned growth of the aviation sub-sector.	Medium	• Building public confidence by adhering to MOH COVID-19 prevention protocols • Transformation of KKIA into a transport and logistics hub by 2030 • Collaborate with ZTA in marketing Zambia as a tourism destination. • Support hosting of affordable international conferences in Zambia.

4 Business Continuity at ZACL

In the period under review, ZACL commenced the implementation of a robust Business Continuity Management System (BCMS) which is premised on ISO 22301:2019 and aimed at complementing existing airport emergency plans. The decision to commence the implementation of a BCMS is on account of the many disruptions that the aviation industry is prone to, with some being major and having the potential to severely disable business operations. A range of potential sources of disruptions that threaten ZACL include weather, geology, industrial unrests, staff unavailability, unlawful interferences, accidents, systems' failures, power outages, disease outbreaks etc.

In 2020, the Corporation exhausted its cash reserves within four months from April to July, following the onset of the COVID-19 pandemic. This necessitated the need for financing of operations through the Bank of Zambia Medium Term Facility which was aimed at easing liquidity challenges triggered by the COVID-19. Further, the Corporation implemented staff rotations as part of its business continuity plans of ensuring that customers were still provided with the required services and at the same time staff were protected from contracting COVID-19. In 2022, operations returned to normal as positivity rates significantly reduced and measures to reduce the spread of COVID-19 were incorporated into our normal day to day operations without disrupting business operations. The effects of the COVID-19 pandemic on the Corporation therefore provided credence to develop measures to assure operational and financial resilience and build confidence in customers and stakeholders.

The Corporation has committed to delivering the best possible service to all passengers, airlines, as well as those accessing airport related services such as car parks, retail, hotels and duty-free shops without unnecessary interruptions.

Airport Network Profiles

International Airports

Kenneth Kaunda International Airport

Airport Manager	Mrs. Harriet Angetile
Distance from CBD	25.8Km from Lusaka Main Post Office
Capacity of Terminal	6MAPs (4million International Terminal & 2million Domestic Terminal)
Airlines Operating	Kenya Airways, Qatar Airways, Ethiopian Airlines, Air Botswana, SA Airlink, South African Airways, Malawi Airlines, RwandAir, Air Tanzania, Emirates, Turkish Airlines, Royal Air, Zambia Airways, Proflight
Fire Category	9
Runway Size	3,962m x 46m
Parking Bays	16
Instrument Landing Systems	Available
Numbers of Taxiways	12
Airfield Ground Lighting	Category 1
Fuel Storage Capacity	1,500,000 Litres Jet A1, 150,000 Litres Avgas
Aerobridges	6
Operating Hours	24 Hours Everyday

Harry Mwaanga Nkumbula International Airport

Airport Manager	Mr. Vivian Sikanyeela
Distance from CBD	2.5 Km from Livingstone Main Post Office
Capacity of Terminal	1MAPs
Airlines Operating	Kenya Airways, SA Airlink, Zambia Airways, Proflight
Fire Category	7
Runway Size	3,000m x 46m
Parking Bays	12
Instrument Landing Systems	Nil
Numbers of Taxiways	2
Airfield Ground Lighting	Category 1
Fuel Storage Capacity	150,000 Litres Jet A1, 28,000 Litres Avgas
Aerobridges	Nil
Operating Hours	7am - 8pm CAT

Mfuwe International Airport



Airport Manager	Mr Evaristo Maposa (Served from September 2022 - Current) Mr. Chilufya Mfula (Served from May 2022– September 2022), Mr. Chalwe Malama (Served until May 2022),
Distance from CBD	41.6Km from South Luangwa National Park
Capacity of Terminal	0.1 MAP
Airlines Operating	Proflight
Fire Category	4
Runway Size	2,200m x 30m
Parking Bays	4
Instrument Landing Systems	Nil
Numbers of Taxiways	1
Airfield Ground Lighting	Category 1
Fuel Storage Capacity	30,000 Litres Jet A1, 30,000 Litres Avgas
Aerobridges	Nil
Operating Hours	7am-6pm CAT

Simon Mwansa Kapwepwe International Airport



Airport Manager	Ms. Mwamba Patience Nakambale (Served from October 2022 - Current) Mr. David Mulenga (Served from August 2022 – October 2022), Mr. Joseph Mumbi (Served until August 2022),
Distance from CBD	14.5Km from Ndola Main Post Office
Capacity of Terminal	1MAPs
Airlines Operating	Kenya Airways, Ethiopian Airlines, SA Airlink, South African Airways, Air Tanzania, Zambia Airways, Proflight
Fire Category	7
Runway Size	3,500m x 45m
Parking Bays	15
Instrument Landing Systems	Available
Numbers of Taxiways	3
Airfield Ground Lighting	Category 1
Fuel Storage Capacity	80,000 Litres Jet A1, 28,000 Litres Avgas
Aerobridges	3
Operating Hours	6am- 8pm CAT

Domestic Airports

Chipata Airport

Airport Manager (Acting)	Mr. Mwape Lungo
Distance from CBD	9.3km North-West of Chipata
Airlines Operating	No Scheduled Aircrafts
Fire Category	4
Runway Size	1470m x 21m
Parking Bays	2
Instrument Landing Systems	Nil
Operating Hours	8am-5pm CAT
Economic Activities	Agriculture and Value Addition

Kasama Airport

Airport Manager (Acting)	Mr. Mutembo Syakango
Distance from CBD	5.6km West of Kasama
Airlines Operating	No Scheduled Aircrafts
Fire Category	4
Runway Size	1874m x 30m
Parking Bays	No designated
Instrument Landing Systems	Nil
Operating Hours	8am-5pm CAT
Economic Activities	Agriculture and Tourism

Mansa Airport

Airport Manager (Acting)	Mr. Davies Kamalata
Distance from CBD	7.4km North of Mansa
Airlines Operating	Proflight
Fire Category	4
Runway Size	1710m x 18m
Parking Bays	2
Instrument Landing Systems	Nil
Operating Hours	8am- 5pm CAT
Economic Activities	Agriculture, Mining and Tourism

Mbala Airport

Airport Manager (Acting)	Mr. Mwiinga Munene
Distance from CBD	4.6km West of Mbala
Airlines Operating	No Scheduled Aircrafts
Fire Category	4
Runway Size	2800m x 45m
Parking Bays	4
Instrument Landing Systems	Nil. Precision Approach Path Indicator (PAPI) Available
Operating Hours	8am- 5pm CAT
Economic Activities	Agriculture and Tourism

Mongu Airport

Airport Manager (Acting)	Mr. Nelson Mbewe
Distance from CBD	3.7km East of Mongu
Airlines Operating	No Scheduled Aircrafts
Fire Category	4
Runway Size	2800m x 45m
Parking Bays	1
Instrument Landing Systems	Nil
Operating Hours	8am- 5pm CAT
Economic Activities	Agriculture

Solwezi Airport

Airport Manager (Acting)	Mr. Amos Bwali
Distance from CBD	3.7km North-East of Solwezi
Airlines Operating	Proflight, Zambia Airways, Royal Air Charters
Fire Category	6
Runway Size	2700m x 30m
Parking Bays	5
Instrument Landing Systems	Nil
Fuel Storage Capacity	60,000 Litres Jet A1, 29,000 Litres Avgas
Operating Hours	6am-6pm CAT
Economic Activities	Mining

South Downs Airport

Airport Manager (Acting)	Mr. Borniface Chizima
Distance from CBD	11km South West of Kitwe
Airlines Operating	No Scheduled Aircrafts
Fire Category	4
Runway Size	2000m x 30m
Parking Bays	No designated
Instrument Landing Systems	Nil
Operating Hours	8am- 5pm CAT
Economic Activities	Mining

6 Messages From Leadership

6.1 Board Chairman's Overview

The unprecedented COVID-19 vaccination effort globally started to bear fruits in the second half of 2022 despite some setbacks from the Omicron wave at the beginning of the year. Several countries lifted health measures, relaxed travel restrictions and reopened their boarders. The momentum created by the reopening of borders had a positive and immediate impact on global air travel demand recovery. Air travel saw an uptick in the second half of 2022, moving the industry closer to its recovery.

Despite the recovery recorded, the year was not without challenges as the sector faced multiple headwinds on the road to recovery which included the war in Ukraine and the economic effects of China's Zero COVID-19 Policy. The war adversely affected fuel prices leading to high cost of air tickets globally. In addition, China's Zero COVID-19 Policy, which was only eased in December 2022, limited the extent of recovery to its full potential given that China is one of the major destinations for global business from KKIA and SMKIA via Johannesburg, Doha, Nairobi and Addis Ababa hubs. However, I am proud to say that we have navigated these challenges and continued on a solid path of recovery. Our airports continued to serve as gateways for air travel connecting passengers traveling both domestically and internationally as demand for air travel was high due to pent-up demand.

Alignment to 8th National Development Plan

Leaning on the 8th National Development Plan (2022 - 2026) anchored on economic transformation and job creation, the Corporation supported the promotion of tourism growth through various Government led interventions to revamp the sector and support its recovery from the COVID-19 pandemic. Our network of airports particularly KKIA and HMNIA served as important gateways for international conferences and events. The Corporation complemented Government's efforts to stimulate the tourism sector by ensuring a seamless passenger experience for participants at conferences, meetings and events hosted in the country in the year under review. Notable amongst the conferences hosted were the Fourth Mid-Year Coordination Meeting of the African Union, Eastern and Southern Africa Anti Money Laundering Group Dialogue Meetings, Zambian Diaspora Conference and Africa Innovations Ministerial Summit.

The attainment of 70% vaccination rate of eligible population in Zambia in November 2022 following a national wide campaign by the Ministry of Health contributed to the increase in passenger numbers at our airports. It gives me so much pleasure to report that the domestic aviation industry has continued to recover to pre-COVID-19 levels at a rate faster than anticipated. This was driven by competitive pricing of domestic travel provided by Zambia Airways and Proflight into Livingstone, Ndola and Solwezi. Further, the amendment to the visa regime following the removal of visa application requirements for citizens from the United Kingdom, United States, Canada, Norway, Australia, China, Japan, South Korea, the Gulf States and the European Union was a turning point. It is expected that this will lead to further increase in passenger numbers.

Further, under the direction of H.E President Hakainde Hichilema to construct and up-grade roads, as well as airstrips and aerodromes to tourism sites to improve accessibility, the year under review saw Government through the Ministry of Transport and Logistics provide special funding for the upgrade of Kasama, Solwezi, Mongu, and Mansa aerodromes. At the end of year, works at Kasama airport were ongoing, while the procurement processes for works at Solwezi, Mongu and Mansa were in progress.

Strategic Focus 2022 - 2026

The year 2022 was the first year of implementation of the 2022-2026 Strategic Plan. The focus was on constant innovation and operational excellence. Accordingly, the Corporation was utilising existing infrastructure and equipment to maximise return on capital deployed. In addition, the Corporation has made investments in infrastructure and technology positioning for future growth. Our commitment to sustainability has also remained steadfast, and we have continued to implement initiatives aimed at promoting environmentally responsible practices with a view to attain certification in the near future.

Our key focus areas over the planning horizon are:

1. To enhance financial sustainability and resilience.
2. To re-imagine customer experience.
3. To reinvent the Corporation.
4. To attain aviation safety and security leadership.
5. To create a positive work environment.
6. To transform KKIA into a SADC aviation hub by the year 2030.
7. To promote environmental sustainability.

Recovery Path to Pre- COVID-19 Traffic

We expect the rebound to pre-pandemic levels to continue into the next year on strong passenger demand. However, recession fears and the continued war in Ukraine remain on the industry's radar. The announcement by the Chinese authorities of the removal of travel restrictions and reopening the country's borders in December 2022 will further drive demand in passenger traffic. It is anticipated that if we continue on this recovery trajectory with the same momentum and without any encumbrances from new COVID-19 variants, the aviation industry in Zambia could see an overall return to pre-COVID-19 levels earlier than the projected December 2024. As a Corporation, we remain resolute in our fight against the COVID-19 virus through cooperation and coordination with our various stakeholders to provide the much-needed comfort to the travelling public.

Looking Ahead

According to IATA, the aviation industry is expected to move back into profitability in 2023. This expected improvement comes despite growing economic uncertainties as global GDP growth slows to 1.7%, from 2.9% in 2022 as projected by the World Bank. Notwithstanding the economic uncertainties, the Corporation remains optimistic about 2023 as passenger demand is expected to edge towards the 2019 levels over the course of 2023. Much of this expectation takes into account the gradual re-opening of China to international traffic.

Recovery will be further boosted by domestic travel from Lusaka into destinations such as Livingstone, Solwezi and Ndola, and regional travel into destinations such as Johannesburg, Addis Ababa, Dar es salaam and Nairobi. The Corporation remains committed to collaborating with key stakeholders such as Zambia Tourism Agency to promote Zambia as a preferred tourist destination.

Appreciation

I wish to acknowledge and extend my sincere gratitude to all employees for their commitment. I also applaud the management team for their flexibility and open-mindedness in planning a way forward in an unpredictable operating environment. The importance of their contributions towards a successful year in terms of recovery of business activity cannot be overemphasised.

To our customers and other stakeholders, thank you for providing feedback on our processes that keeps us continually improving to ensure that our airports are safe and secure, and provide a memorable experience. I would also like to extend my appreciation to the Board of Directors for its unwavering commitment and guidance during the year. Finally, to our parent ministry, the Ministry of Transport and Logistics and our shareholder, Ministry of Finance and National Planning, thank you for your support and confidence in our business.

Looking forward, I am confident in our ability to weather any future challenges and to continue delivering value to our shareholders and stakeholders.

Mr. Zevyanji Sinkala
Board Chairperson

6.2 Acting Managing Director's Statement

Financial and Operational Overview

The Corporation recorded a growth in operating revenue of 56% from K396.6million in 2021 to K618 million in 2022. The growth in revenue is attributed to the recovery in air travel in the period under review. Aeronautical revenue contributed 92% to the total revenue, whereas non-aeronautical revenue contributed 8%. We recorded a loss after tax of K101million, a significant reduction from the K329million recorded in the prior year.

The period under review brought renewed hope to the aviation industry in that we recorded higher than anticipated recovery to pre-COVID-19 levels. In 2022, the Corporation facilitated a total of 1,653,077 general passengers through its network of airports. This represented a recovery of 89% to pre-COVID-19 levels and a 119.2% increase when compared to 2021. Domestic passenger numbers contributed 26% to total passenger traffic. This represented an increase of 133% when compared to 2021 when 186,791 domestic passengers were recorded. The growth in overall domestic passenger numbers was attributed to competitive pricing by the domestic carriers. The largest growth in domestic passenger numbers when compared to prior year were recorded at Mfuwe and Solwezi airports at 117% and 78%, respectively. The growth in Mfuwe is mainly attributed to a significant recovery in tourism whilst for Solwezi growth is attributed to increased business activity driven by the launch of First Quantum Minerals' (FQM) Nickel mine in Kalumbila district. Nevertheless, the Lusaka - Ndola route remained the largest contributor to domestic passenger traffic.

Internationally passenger traffic contributed 74% to overall passenger numbers. A total of 1,218,713 passengers used our four international terminals. This represented an increase of 115% when compared to 2021 when 567,139 passengers were recorded. The growth is attributed to easing of travel restrictions and pent-up demand. The year in review also saw the return of Air Botswana to our Zambian skies bringing the total number of international carriers to thirteen (13).

Aircraft movements at our airports in the year under review were 48,196 and these comprised of landings, take-offs and overflights in the Zambian airspace, representing 42% increase from the 33,984 recorded in 2021.

A total of 16,570 tonnes of cargo and mail went through KKIA and SMKIA in the year under review, representing a decrease of 15% when compared to 19,463 tonnes recorded in 2021. This can be attributed to reduced import and export activity of cargo transported via aircrafts in the period under review. The closure of borders in China due to the COVID-19 restrictions had a negative impact on trade. Borders remained closed for most of 2022.

Progress on Infrastructure Development

Overall project progress at KKIA new Terminal at end December 2022 was 98.5%. The rehabilitation works at the old Terminal, now used as domestic terminal, were ongoing with significant progress made. The project is expected to be completed in June 2023. On the other hand, overall project progress at SMKIA at end December 2022 was at 91.45% and the project is expected to be completed in June 2023.

Customer Experience

One of our key strategic focus areas is to enhance customer experience as we provide a unique value proposition to our clients. In 2022, the Corporation continued repositioning itself to be more customer centric, recording an impressive 85% customer satisfaction rating at our international and domestic airports. Special thanks goes to all staff who have been dedicated to ensure that our service to customers exceeds expectations. The customer satisfaction survey covered a range of airport customers which included meeters and greeters, passengers, pilots and tenants. The parameters covered included airport facilities and access, check-in services and passport control, security, aeronautical information services and air traffic control, ground handling services, and contract management and billing. With the feedback obtained from our customers, the Corporation will continue to seek better ways of continuously improving customer experience.

The year 2022 saw Kenneth Kaunda International Airport win at the World Luxury Awards in the category of International Airport – Africa. This demonstrates the growing confidence and positive holistic airport experience that travellers have had when passing through our airports.

Safety and Security

Safety is a number one priority in the aviation industry. To ensure enhanced security is achieved, the Corporation continued to deploy x-ray equipment such as walk through metal detectors and handheld metal detectors at all international and domestic airports.

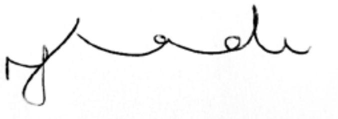
In adherence to global aviation safety and security standards, the Corporation ensured that staff working under ground handling, aviation security and air navigation services underwent training in mandatory courses which included Dangerous Goods, Airside and Ramp Safety, Human Factors, Safety Management Systems, Aircraft Pushback/ Aerobridge Operations, Turnaround Coordinator (TRC), Flight Deck Communication, Approach Radar Control Course, Aviation English Proficiency, VSAT II Communication Equipment, and Motor Bike Riding Training.

People

As a Corporation, our greatest asset will always be our people as their knowledge, expertise, abilities, skillsets, and experiences play a pivotal role in achieving set strategic objectives and providing customers an enhanced experience. Therefore, we ensured the continued enhancement of the work environment to make it more conducive as it can possibly be. Staff satisfaction index increased to 62% in 2022 from 51% in 2021. This was attributed to management interventions such as a 10% salary increment for unionised staff and payment of accrued leave allowances for January 2021 to October 2021 when the Corporation's cash flows were negatively impacted by reduced traffic due to COVID-19 restrictions.

Acknowledgement

In conclusion, I would like to thank our greatest assets, our staff, for the commitment and dedication in supporting the Board and management throughout the year. I would also like to thank our customers, the reason we are in business, for their continued support on our road to recovery. I wish to also give special thanks to the Board for its guidance in the period under review.



Maggie Banda Kaunda
Acting Managing Director


ZACL
4308
LINE

7 How We Are Governed

Statement on Governance

Our governance, controls and oversight mechanisms throughout the Corporation ensure effective control and a strong sense of ethics and legitimacy. We remain steadfast to constantly enhance our corporate governance structures and processes in line with best practice in a manner that facilitates the development, maintenance and operation of airports and air navigation services for the creation of shareholders' value. Additionally, the Corporation seeks to be a yardstick of public probity by providing a good return on national strategic assets and promoting high standards of integrity.

Strategy, Performance and Reporting

Our Board takes complete responsibility for the strategic direction and achieving set strategic objectives for the Corporation. It is responsible for maintenance of good corporate governance and remains devoted to maintaining high standards of ethics and integrity. The Board continuously evaluates the macro environment, risks and opportunities, and stakeholder needs, which inform strategy formulation. The Directors provide autonomous, informed and effective judgement that facilitates transparency and fosters appropriate decision-making. The Board sets an ethical tone by establishing and sustaining enabling ethos. This is accomplished through the adoption and effective implementation of policies and systems that ensure a culture of integrity and compliance. This takes cognisance of the importance of meeting high levels of transparency and disclosure in alignment to relevant reporting frameworks and best practice.

In the period under review, the Board approved the Corporation's 2022-2026 Strategic Plan.

Stakeholder Relationships

As an airport company we operate within a complex ecosystem. Our key stakeholders have always been inseparable from our business. In the year under review, engagements with various stakeholders such as Airlines, Aircraft Owners and Operators Association, Zambia Civil Aviation Authority, Tourism Council of Zambia, Zambia Air Force, Zambia Tourism Agency, tenants among others were held with a view to address service provision concerns. Being a customer-centric organisation, our planning revolves principally around creating and balancing value for our customers and other stakeholders to ensure sustainability and resilience. In the period under review, our relationships with our stakeholders remained strong and positive. Our main offerings therefore are to render safe, secure and efficient infrastructure with superior customer services to all customers. We believe in maintaining an ongoing engagement with our stakeholders as it paves the way for business sustainability and success through mutually valued relationships. Close knit stakeholder engagement also helps to highlight and focus on key areas of business concern, customers and stakeholders. Our emphasis was on active participation of our stakeholders, partners and service providers at all times. With the involvement of our stakeholders, we are poised on firm ground towards sustainability and resilience.

Governance Structures and Delegation

The Board is the focal point of and custodian for corporate governance within the Corporation. The members of the Board include four (04) Non-executive Directors and one (01) Executive Director who is also the Managing Director, with an appropriate balance of knowledge, skills, and experience, and diversity and independence. This allows our Board to discharge its governance role and responsibilities objectively and effectively. All Board and committee members are suitably qualified for their roles and have extensive experience and skills across a range of sectors. Open and honest dialogue that tests decisions, brings consensus and necessitates responsibility is encouraged.

In compliance with Corporate Governance best practice, the role and responsibilities of the Non-executive Chairman and the Managing Director have been clearly defined and are separated to ensure checks and balances in decision making. Further, there is a clear balance of power and authority at the Board level to ensure that no one Director has unfettered powers of decision-making, as Board members draw from their diverse and vast pool of experiences for differing viewpoints.

The Board delegates certain functions to three (03) well-structured Board sub-committees without abdicating its own responsibilities. The Committees are:

1. Assurance Statement from Chairperson of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee (ARC), as a committee of the ZACL Board, supports the Board in their oversight responsibilities for the strategic planning, financial reporting, risk management, systems of internal control, performance monitoring and evaluation, internal and external auditing processes, compliance with laws and regulations and associated assurance.

The Committee reviewed the integrity of financial statements and the annual report to inform the Board's consideration of the same before circulation to shareholders.

The disciplined risk management approach we have adopted outlined in ISO 31000:2019, as a bare minimum, integrates risk-based consciousness into day-to-day decision making, planning, management, governance, and the culture of the Corporation. As such, potential risks that could hinder the achievement of business objectives are identified by respective functional departments and units, their significance determined, and mitigation measures are prioritised in order of significance to achieve the objectives before they affect business whilst keeping all the other risks under constant monitoring and control.

Assurance

The Committee has continued to receive and review appropriate, timely and regular information about ZACL's control environment. The committee received assurance from our internal audit and Safety, Health, Environment and Quality functions during the year and from our own scrutiny of the reports presented to us by the Executive Management on several matters including risk management, internal control, and governance. The Corporation was positioned to comply with regulatory requirements and to provide assurance that a system existed to identify and manage threats effectively.

2. Finance and Capital Projects Committee

The Committee assists in delivering its oversight responsibilities for the budgeting process, setting financial goals, mobilising resources, managing the capital structure, reviewing capital expenditures, investments and business development.

3. Appointments, Remuneration and Human Relations Committee

The Committee assists the Board of Directors in fulfilling its oversight responsibilities for policy direction on appointments, remuneration, human relations and consequent administrative policies.

Each committee's terms of reference define the composition of the committee and set out its duties, responsibilities, and the scope of delegated authority.

Board and Committee Meetings

The Board sat for two (2) scheduled Meetings in view of the fact that the Board was appointed end of quarter three of 2022. The Board also had two (2) Special Meetings during the year. The attendance was as follows:

Board Committees' Membership and Attendance

Name	Meetings Attended		Total No. of Meetings Attended
	Scheduled	**Special**	
Mr. Zevyanji Sinkala - Board Chairperson	2	2	4
Dr. Frank Gunn Munthali – Vice Chairperson	2	2	4
Mrs. Irene Bwalya Muloshi Tembo	2	2	4
Mr. Mulele Maketo Mulele	2	2	4
Mrs. Maggie Banda Kaunda	2	2	4

The Committee members for all Board Committees were appointed during the Month of December 2022 and as such did not sit for any Scheduled or Special Meeting as at 31st December 2022. The respective members are as below:

Audit, Risk and Compliance Committee

Name	Nature of Membership
Mr. Mulele Maketo Mulele	Chairperson
Mr. Eddie Mwitwa	Vice Chairperson
Mrs. Irene Bwalya Muloshi Tembo	Member
Mrs. Lucy Kabwe Mutambo	Member
Mr. Francis Mundanya	Member

Finance and Capital Projects Committee

Name	Nature of Membership
Dr. Frank Gunn Munthali	Chairperson
Mr. Matete Sichizya	Vice Chairperson
Mr. Mulele Maketo Mulele	Member
Mrs. Maggie Banda Kaunda	Member

Appointments, Remuneration and Human Relations Committee

Name	Nature of Membership
Mrs. Irene Bwalya Muloshi Tembo	Chairperson
Mrs. Jean Chilikwela	Vice Chairperson
Dr. Frank Gunn Munthali	Member
Mr. Brighton Mwiinga	Member
Mrs. Maggie Banda Kaunda	Member

Board Performance Contract and Evaluation

The Board of Directors was appointed by the Minister of Transport and Logistics in September 2022. In the period under review, the Board Performance Contract and scorecard for the period 2022 - 2025 was compiled. Monitoring of performance of the Board shall be undertaken through bi-annual performance assessments in accordance with the ZACL Board Charter.

8 A Glance At The Performance of The Aviation Sector Globally

Global Performance

The aviation industry closed 2022 in far stronger shape than it entered, as most Governments lifted COVID-19 travel restrictions during the year and people took advantage of the restoration of their freedom to travel. According to IATA, the number of air passengers carried in 2022 increased by an estimated 47% compared to 2021, while Revenue Passenger Kilometres (RPK's) increased by around 70% over the same period, due mainly to the rapid recovery of most international routes. Globally, the full year 2022 traffic was at 68.5% of pre-pandemic levels. International traffic climbed 152.7% compared to 2021 and reached 62.2% of 2019 levels. Full year 2022 domestic traffic was at 79.6% of the full year 2019 levels. In terms of airlines' annual passenger revenues, keeping yield and exchange rates at 2019 levels, ICAO observed growth of an estimated 50% from 2021 to 2022.

Sustained geopolitical tensions and the war in Ukraine will continue affecting several regional markets and dominate downside risks. Weakening macroeconomics and inflationary pressures are also set to weigh on demand, with high air fares having characterised 2022. Higher regulatory costs will also result in sustained inflationary pressures on air fares.

From a country-market perspective, most markets having substantial domestic traffic are projected to recuperate to pre-COVID-19 levels in the second half of 2023. Heavily controlled markets, on the other hand, are not likely to return to pre-COVID-19 performance until 2024, with some having to wait until 2025. Given the unequivocal discrepancies in accessibility of COVID-19 vaccines, geopolitical conflict, and the resulting humanitarian crisis, not to mention the worsening economic outlook, some country-markets, especially emerging and developing economies, will undoubtedly not reach pre-COVID passenger levels before 2025, particularly those heavily dependent on international traffic.

The air cargo market has been the bright point in the aviation market since the onset of the global pandemic. However, in the face of significant political and economic uncertainties, air cargo performance declined in 2022 compared to the extraordinary levels of 2021. According to IATA, global full-year demand in 2022, measured in cargo tonne-kilometers (CTKs), was down 8.0% compared to 2021 for international operations. Compared to 2019, air cargo demand was 1.6% below pre-pandemic levels. Capacity in 2022, measured in available cargo tonne-kilometers (ACTKs), was 3.0% above 2021 (+4.5% for international operations). Compared to 2019 (pre-COVID) levels, capacity declined by 8.2% (-9.0% for international operations).

IATA projects airlines will earn a global net profit of USD4.7 billion on revenues of USD779 billion. However, unpredictable factors such as oil costs, ever-increasingly extreme weather patterns, severe health outcomes in China, war in Ukraine and tighter global financing costs will invariably continue to create challenges for airlines. Despite these economic uncertainties, the current pent-up demand is expected to have enough thrust to contain costs as the strong growth trend continues.

Regional Performance

Regional performance of the aviation industry with close connectivity with Africa and having an impact on Zambia's aviation sector for the period under review is analysed below:

a. European carriers' full year traffic climbed 132.2% versus 2021. Capacity increased 84.0%, and load factor rose 16.7 percentage points to 80.6%.

b. Middle Eastern airlines saw a 157.4% traffic rise in 2022 compared to 2021. Capacity increased 73.8% and load factor climbed 24.6 percentage points to 75.8%.

c. African airlines' annual traffic rose 89.2% in 2022 versus the prior year. Full year 2022 capacity was up 51.0% and load factor climbed 14.5 percentage points to 71.7%, the lowest among regions.

Domestic Performance

Zambia's air passenger traffic progressively recovered and remained on track for the projected recovery to pre - COVID-19 levels by early 2024. Travel into significant business and tourist destinations from Lusaka such as Addis Ababa, Dubai and Johannesburg remained on a positive course, leading to higher than projected paying passenger numbers, aircraft landings, overflights in the Zambian airspace and the number of aircrafts handled by the Corporation.

The country's overall passenger traffic increased by 119.3% between 2021 and 2022. The full year 2022 domestic and international passenger numbers were higher than the 2021 figures by 132.5% and 114.9% respectively. Full year 2022 overall passenger traffic was at 89% of 2019 performance while international and domestic traffic were at 83% and 111% of pre-COVID-19 performance, respectively.

Zambia entered into a small - yet remarkable group of countries in sub-Saharan Africa that have attained the global goal of vaccinating over 70% of their eligible citizens and this was instrumental in the recovery to near pre-COVID-19 levels recorded during the year.

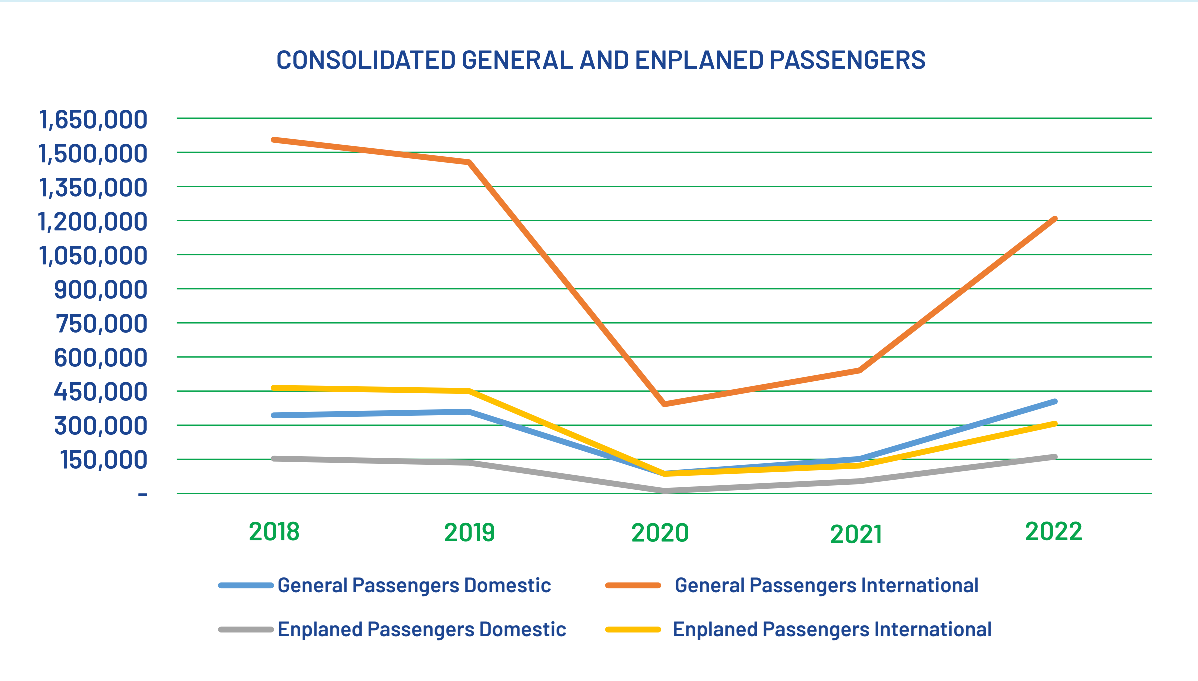
9 Performance Overview

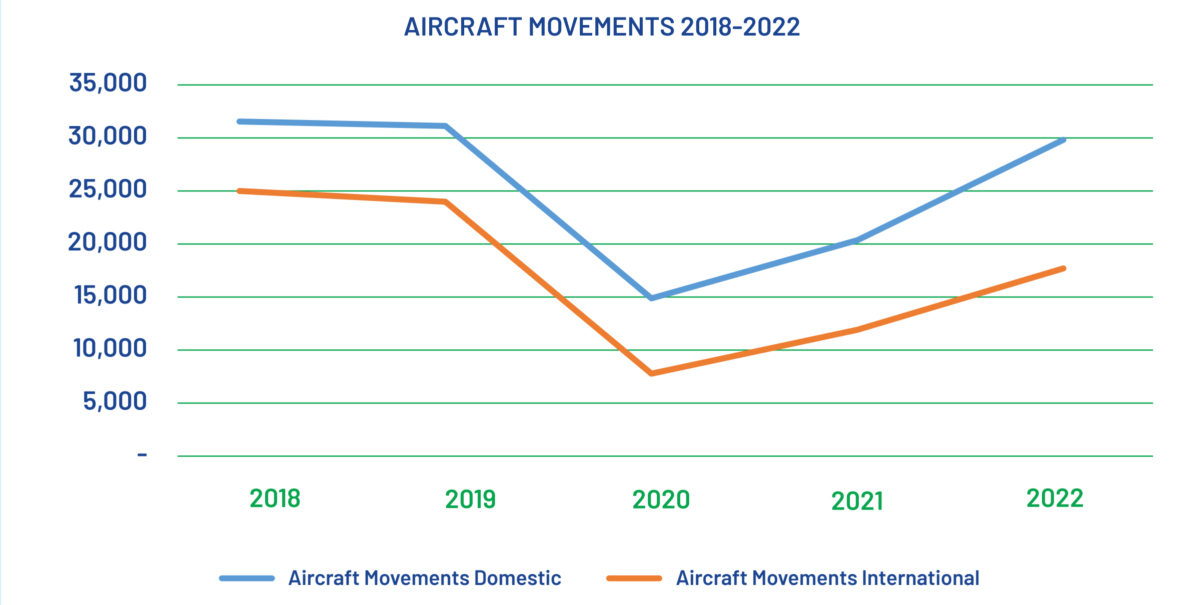
Aeronautical Business

Key statistics measuring aeronautical business performance are shown in the table below:

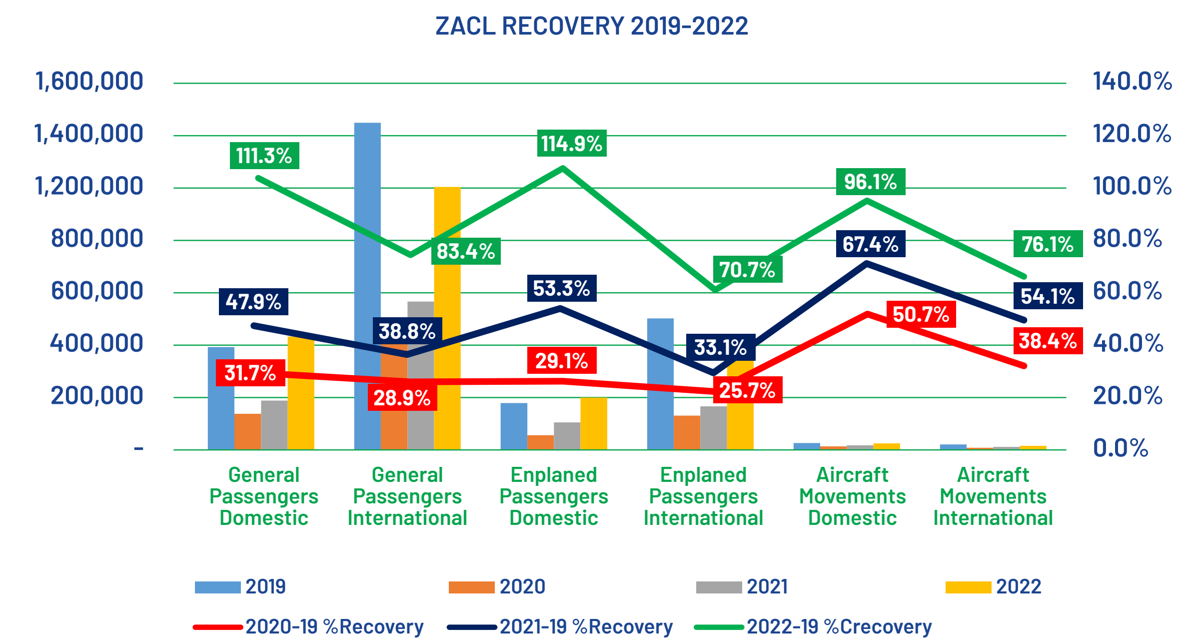
Table 1: Five Year Aeronautical Performance

Name	General Passengers		Enplaned Passengers		Aircraft Movements		Overflights
Year	Domestic	International	Domestic	International	Domestic	International	
2018	374,479	1,557,348	188,521	492,444	31,132	25,463	19,239
2019	390,158	1,460,557	170,913	478,979	30,741	24,518	20,304
2020	123,818	422,066	49,713	123,270	15,597	9,415	8,971
2021	186,791	567,139	91,078	158,564	20,710	13,274	11,137
2022	434,364	1,218,713	196,336	338,749	29,534	18,662	16,664
Total	**1,509,610**	**5,225,823**	**696,561**	**1,592,006**	**127,714**	**91,332**	**76,315**





The chart below shows performance of the Corporation for the five years 2018 to 2022, picking 2019 as a pre-COVID-19 performance baseline.



According to the chart above, the Corporation's 2022 performance was superior to that of 2020 and 2021 in all key areas. Management emphasised on resilience during the recovery period to keep the Corporation afloat. General passenger domestic movements, for instance, in 2021 were at 47.9% of 2019 levels while in 2022 they stood at 111.3% of 2019 performance, surpassing the pre-COVID-19 performance by 11.3%. Overall general domestic travel saw a much higher increase when compared to international travel traffic. The recovery in international passenger numbers continued to be motivated by the resulting relaxation of COVID-19 measures from the significant slowdown in COVID-19 positivity rates and increased vaccination rates worldwide.

The increase in international passenger numbers was in part attributed to the Meetings, Incentives, Conferences and Exhibitions (MICE) associated travel which are significant constituents in Zambia's passenger growth. For instance, the hosting of the Fourth Mid-Year Coordination Meeting of the African Union, Eastern and Southern Africa Anti Money Laundering Group Dialogue Meetings resulted an increase in passenger numbers.

Passenger Traffic

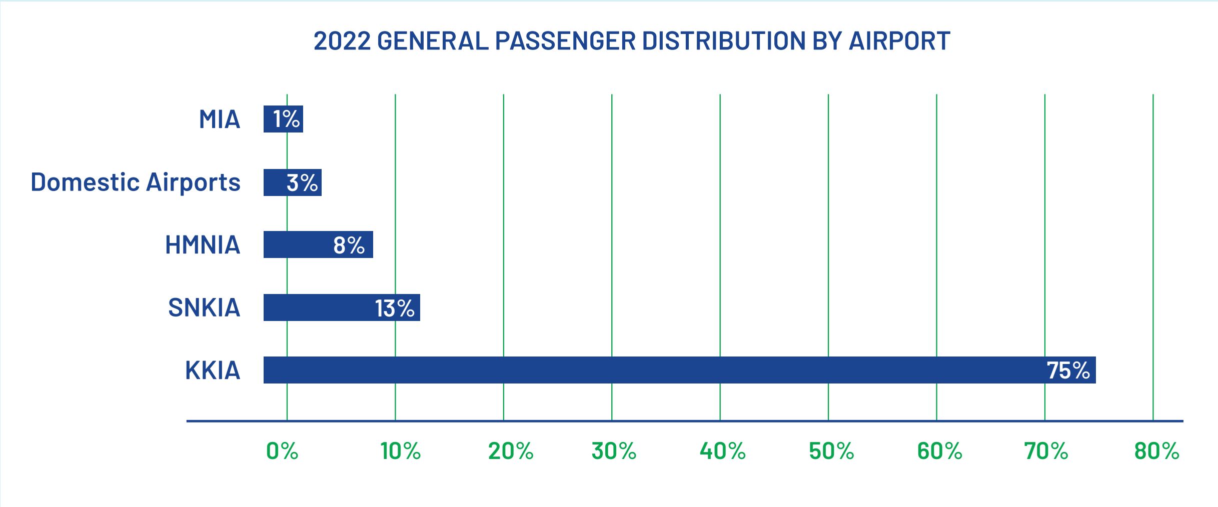
The Corporation facilitated a total of 1,653,077 general passengers through the four designated international airports and the ten domestic airports. This represents a 119.3% increase compared to 2021 which had 753, 930 general passengers. Domestic passenger movements increased by 132.5% from 186,791 passengers in 2021 to 434,364 in 2022. The growth in overall domestic passenger numbers was attributed to competitive pricing by the domestic carriers. Correspondingly, international passenger movements increased by 114.9% from 567,139 passengers in 2021 to 1,218,713 in 2022. The growth is attributed to easing of travel restrictions and pent-up demand.

The distribution of general passengers for all international airports and the strategic and provincial aerodromes are depicted in the table and graph below:

Table 2: Distribution of General Passengers by Airport

Airport	International	Domestic	Total	% Share
KKIA	1,025,257	208,826	1,234,083	75%
SMKIA	113,280	105,374	218,654	13%
HMNIA	79,387	45,511	124,898	8%
MIA	789	23,370	24,159	1%
Domestic Airports	-	51,283	51,283	3%
Total	**1,218,713**	**434,364**	**1,653,077**	**100%**

Kenneth Kaunda International Airport accounted for 75% of total general passenger movements. Simon Mwansa Kapwepwe International Airport, Harry Mwaanga Nkumbula International Airport, and Mfuwe International Airport accounted for 13%, 8% and 1%, respectively. The domestic airports accounted for the remaining 3%.



Ground Handling Services

In the year under review, the Corporation provided ground handling services to 12 of the 13 scheduled airlines that operated at the four international airports and provincial aerodromes, giving us ground handling market share of 93% for scheduled airlines. Air Botswana resumed operations in July 2022 on the Gaborone to Lusaka route. In addition, the aerobridges at KKIA became operational to enhance customer experience.

Apart from the scheduled airlines handled, ZACL also provided ground handling services to charter operators in the period under review. This included arrangement of aircraft refuelling, cleaning, ramp handling, load control, VIP handling etc.

Operational Performance: On-Time Perfomance

Our on-time performance in the year 2022 was as follows:

Table 3: Average OTP Per Airport

Airport	AIRLINES STATION OTP - ANNUAL 2022				
	STN TARGET	KKIA	HMNIA	SMKIA	MFU
Kenya Airways	100%	95%	95%	98%	
Ethiopian Airlines	99%	96%		96%	
Royal Zambian Airlines	97%	97%			
Airlink	87%	94%	97%	98%	
Rwandair	87%	97%			
Proflight Domestic	90%	98%	98%	99%	100%
Proflight International	90%	94%		58%	
Royal Air Charters	97%	97%			
Air Tanzania	95%	97%		100%	
Qatar	98%	98%			

South African Airways	80%	78%			
Air Botswana	95%	82%			
Zambia Airways	98%	90%	97%	98%	
Malawi Airlines	99%	99%			
Average OTP		**94%**	**97%**	**92%**	**100%**

Ground Handling Equipment at SMKIA

Inspection of specialised Ground Handling Equipment at SMKIA by Minster of Transport and Logistics, Honourable Frank Tayali MP

Simon Mwansa Kapwepwe International Airport

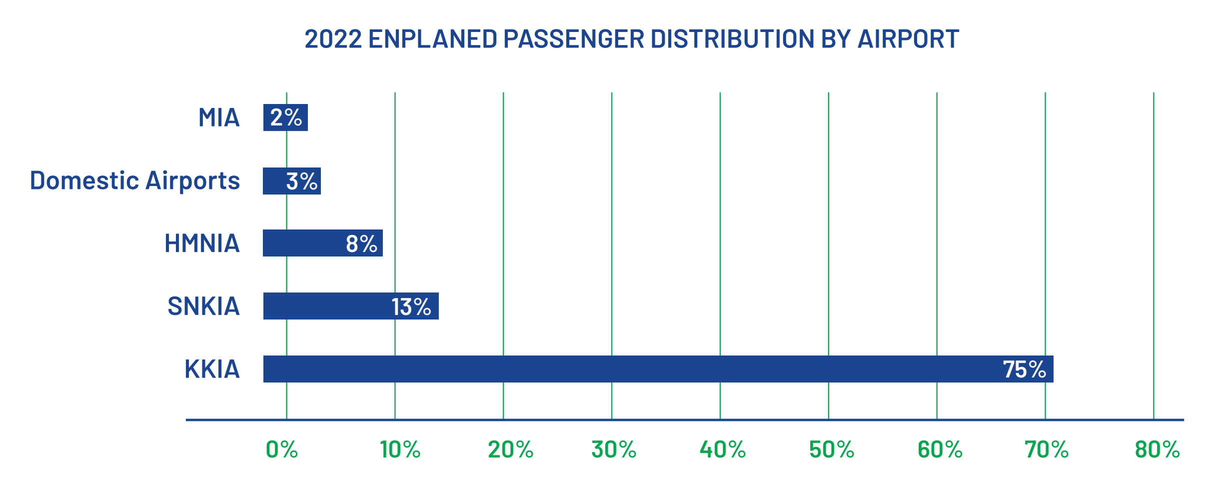
Enplaned Passengers

ZACL recorded a total of 535,085 enplaned passengers in 2022 compared to 249,642 in 2021, representing a 114.3% increase. The distribution of paying passengers for all international airports and domestic airports are depicted in the table and graph below:

Table 4: Enplaned Passengers Per Airport

Airport	International	Domestic	Total	% Share
KKIA	282,912	97,797	380,709	71%
SMKIA	28,912	47,261	76,173	14%
HMNIA	26,378	22,809	49,187	9%
MIA	547	11,738	12,285	2%
Domestic Airports	-	16,731	16,731	3%
Total	**338,749**	**196,336**	**535,085**	**100%**

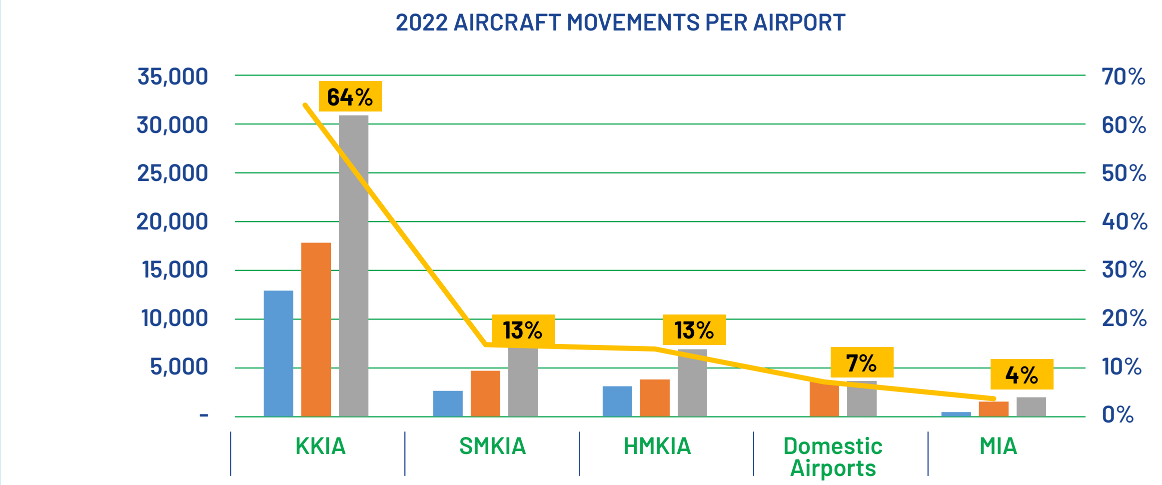
Kenneth Kaunda International Airport accounted for 71% of enplaned passengers. Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula and Mfuwe International Airports accounted for 14%, 9% and 2%, respectively. The domestic accounted for the remaining 3%.



Aircraft Movements

ZACL recorded a total of 48,196 aircraft movements in 2022 compared to 33,984 recorded in 2021, representing a 41.8% increase. Domestic aircraft movements increased by 42.6% from 20,710 in 2021 to 29,534 movements in 2022.

Similarly, international aircraft movements increased by 40.2% to 18,662 movements in 2022 from 13,274 in 2021. The distribution of aircraft movements for all international airports and the domestic airports are depicted in the table and graph below:



	KKIA	SMKIA	HMKIA	Domestic Airports	MIA
International	13,228	2,315	2,727	-	392
Domestic	17,533	4,122	3,339	3,197	1,343
Total	30,761	6,437	6,066	3,197	1,735
Airport % Share	64%	13%	13%	7%	4%

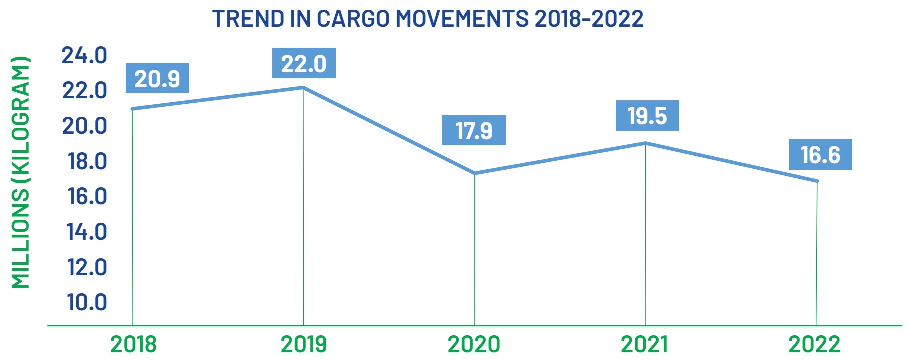
The largest number of aircraft movements were recorded at Kenneth Kaunda International Airport which handled 64% of total aircraft movements. Simon Mwansa Kapwepwe, Harry Mwaanga Nkumbula, and Mfuwe International Airports handled 13%, 13% and 4% respectively while domestic airports accounted for 7% collectively. The contribution to total aircraft movements for HMNIA and MIA marginally improved in 2022 from the 8% and 3% recorded in 2021 respectively. This was mainly due to improved tourism related travel following continued relaxation of COVID-19 associated travel restrictions.

Overflights

A total of 16,664 overflights (those that do not depart from or land at any Zambian airport) were recorded in 2022 compared to 11,137 recorded in 2021, representing a 49.6% increase. After an incredibly difficult 2020 and 2021 due to the COVID-19 pandemic, the airline industry started to see significant improvements in travel frequency and aircraft movements in 2022. This was mainly due to continued relaxation of COVID-19 related travel restrictions following increased roll out of vaccines globally. Most airlines that usually fly over the Zambian airspace but stopped due to COVID-19 resumed operations resulting in a significant increase in the number of overflights.

Cargo Volumes

A total of 16,570,222.06 kilograms of cargo and mail were recorded in 2022 compared to 19,462,999.37 kilograms recorded in 2021, representing a 15% decrease. This can be attributed to reduced import and export activity of cargo transported via aircrafts in the period under review. The closure of borders in China due to the COVID-19 restrictions had a negative impact on trade. Borders remained closed for most of 2022. The five-year trend in cargo is shown below.



The major airlines uplifting this cargo from Kenneth Kaunda International Airport were Emirates Airlines, World Cargo, Astral Aviation, Ethiopian Airlines Cargo and Kenya Airways Cargo.

Non-Aeronautical Business

To attain financial sustainability and resilience, ZACL commits to reducing the cost of doing business by airlines in the long-term by maintaining aggressive cost optimisation measures and growing non-aeronautical revenues. These revenue sources are neither subject to economic regulation nor susceptible to external shocks that affect air traffic thereby providing headroom for reduction of airport fees while providing safe and secure airport facilities.

In 2022 the Corporation's non-aeronautical revenue contributed 8% to total revenue against the global average of about 40%. However, the revenue of ZMW 51.5m recorded in 2022 was 20% above that achieved in 2021. The growth was attributed to an increase in travelling passengers as this led to higher sales by retail operators at the airports and hence more income from concessions for the Corporation. Revenue distribution by category: rentals (kiosks, warehouses, offices, House/Hangar and carparks) accounted for 41%; concessions (restaurants/bar and duty-free shops) accounted for 28.8%; while fuel throughput, advertisement and others accounted for 15.7%, 5.4% and 9% respectively.

Growing Non-Aeronautical Revenue

Key initiatives under the Corporation's commercial strategy targeted at growing non-aviation revenues in the medium to long term include:

- **Implementation of Land-Use Plan** – 550Ha of land around KKIA was identified for development under phase I. Key milestones achieved during the review period included approval of the plan for execution, SPV concept, and ownership of facilities under expired BOTs.
- **Retail Space Optimisation** – The Corporation worked on ensuring that revenues from existing spaces was maximised through renegotiations and the charging of market reflective rates. Further, the Corporation closed identified revenue leakages and increased occupancy rates for the new terminals, shopping mall and cargo terminal leading to increased nonaeronautical revenue. We closed the year with an impressive occupancy rate of 81.23% at KKIA Terminal II retail spaces.
- **Automation of Car Parks** – The Corporation automated the car parks for KKIA, SMKIA and HMNIA to enhance customer experience and optimise revenue collection.
- **Advertising** – The Corporation recognises that advertising is an excellent stream of non-aeronautical revenues. It signed contracts with advertising agencies, with minimum guaranteed revenues expected in 2023.

10 Financial Performance

The Corporation recorded a growth in operating revenue of 56% from K396.6million in 2021 to K618 million in 2022. The growth in revenue is attributed to the recovery in air travel in the period under review. Further, the increase in revenue is also attributed to the depreciation of the Kwacha when compared to prior year. Aeronautical revenue contributed 92% to the total revenue, whereas non-aeronautical revenue contributed 8%.

Employee Costs increased by 12% from K305.3million in 2021 to K342.5million in 2022. This is attributed to the salary increment given to non-unionised employees in the period under review.

Operating expenses in the period under review reduced slightly by 5% and this was attributed to the various cost containment measures that have continued to be in effect.

The Corporation recorded a loss after tax of K101million, a significant reduction from the K329million recorded in prior year.

11 Developing Airports

Zooming in on Kasama Aerodrome

History

Kasama Aerodrome was built by the British Colonial Government during World War I as a military air base to defend its territory of the then Northern Rhodesia, now Zambia and was actively used during World War II. Due to its strategic location in the northern part of the country, the airport was used to deter the Germans who had established base in the neighbouring Tanzania.

When Zambia got Independence on 24th October 1964, the military air base was turned into a civilian airport. To date, there are two Nissen huts at Kasama Airport that preserves the vintage look to show the historic heritage of the landing facility that started as a military aviation facility.

Kasama Airport has undergone and continues to undergo developments notably the Terminal Building which was constructed in 2009 and runway works which were earmarked for completion in 2023.

Location and Capacity

Kasama Airport is in Kasama, the Provincial capital of Northern Province. Kasama Airport which bears IATA Code KAA and ICAO Code of FLKS respectively is located about 5.6km West of Kasama Town.

The airport is currently constrained to handle medium sized aircraft and jet-engine aircraft due to the short gravel runway measuring 1874m length x 30m width. This makes it difficult for the airport to support Governments economic development agenda anchored on, inter alia, tourism and agricultural activities.

Kasama Project Progress

ZACL through funding from the Ministry of Transport and Logistics is undertaking works to upgrade the runway at Kasama Airport to bituminous standards for purposes of supporting agriculture and increasing air connectivity to tourist sites in the Northern Province.

Construction works commenced in quarter four of 2022 and were expected to be completed by quarter two of 2023.

GRZ Policy Direction on Aerodrome Development

The creation of a diversified and industrialised economy is a key development outcome of the Eighth National Development Plan (8NDP) 2022 - 2026. To this end, the Government is implementing several strategies, including tourism diversification, and improving transport and logistics. His Excellency President Hakainde Hichilema in his speech during the ceremonial opening of the first session of the thirteenth National Assembly committed to constructing and upgrading roads, airstrips, and airports to tourism sites to improve accessibility. The President further directed that provincial airports should be upgraded, complete with runways, terminal building, rescue and fire service stations, and cargo facilities. These developments are expected to make Zambia a tourist destination of choice and contribute to restoring economic growth of the country.

Ongoing Works on Kasama Airport Runway

Ongoing Works on Kasama Airport Apron

12 Safety and Security To Passengers and Aircraft As First Priority

Prevention and emergency response procedures are in place to deal with crises and ensure continuity of operations. The Corporation's prime focus is to ensure protection of aviation infrastructure against acts of unlawful interference, and protection of persons from loss of life and injury and property from damage. During the period under review, the Corporation continued to apply appropriate measures to ensure the safety and security integrity of our operations were upheld.

Aviation Security

The Corporation has deployed security systems to ensure access to security restricted areas (SRA's) is controlled, carriage of prohibited articles onto flights is forestalled, intrusions into restricted areas is stopped and general security oversight is guaranteed. This is achieved through the use of trained, certified and competent aviation security staff.

Rescue and Fire Services

ZACL has a dedicated and highly trained fire and rescue services team which is always on standby in case of any emergency event, including aircraft accidents and/or incidents. The team responds to all aircraft emergencies within the airport's boundary and up to 5 aeronautical miles (8Kilometers) radius from the Aerodrome Reference Point (ARP). Included among services provided are firefighting, search and rescue, casualty handling, persons with limited mobility handling, first aid and safety awareness.

Additionally, RFS Teams have been providing wildlife control services at the airports

Maintenance of Mission Critical Equipment and Infrastructure

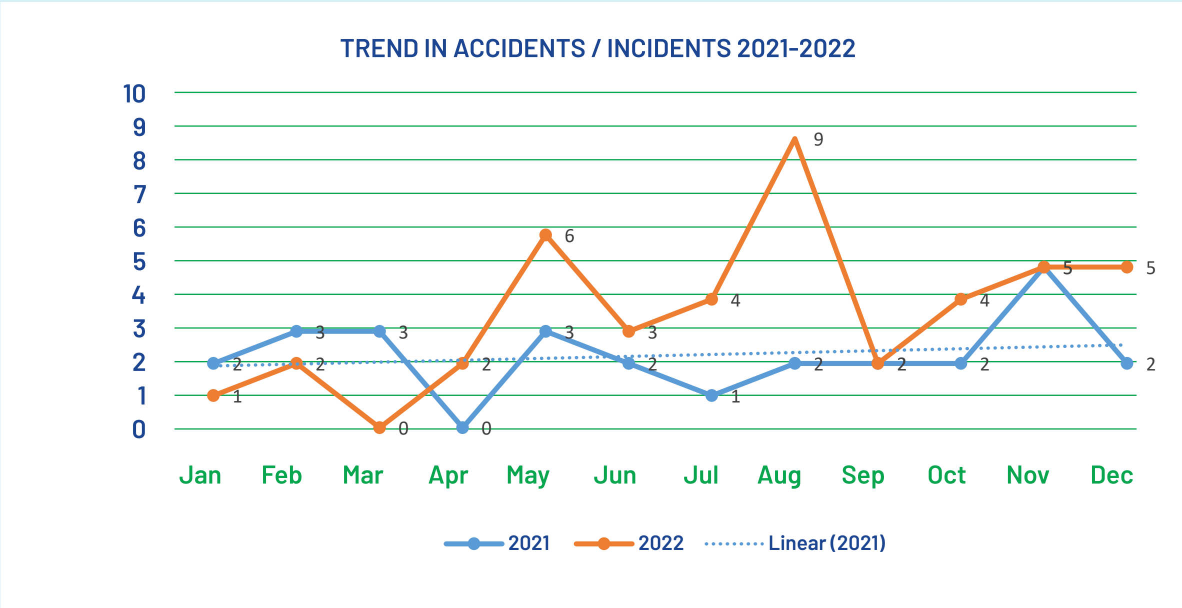
Our mission critical equipment used in the provision of services such as air navigation, ground handling services and passenger facilitation are key for us as an airport operating company. Therefore, we ensure that all equipment is always in good state. During the period under review, we undertook periodic maintenance of the apron, maintained main and standby equipment for all air navigation equipment, and proactively conducted internal safety evaluations. The total spend on repairs and maintenance in 2022 was K23.5million and accounted for 16% of total operating costs. This represented a 72% increase when compared to prior year when the total spend was K13.6million.

Safety Incidences and Accidents

Our approach to safety management is proactive based on following a risk management strategy that includes identifying hazards before they materialise into incidents or accidents and taking the necessary actions to reduce the safety risks. Components of our safety management strategy include:

- Unequivocal safety policy that ensures commitment to safety by senior management;
- Flawless safety reporting;
- Safety lesson dissemination and sharing best practices among operators and service providers;
- Continuous hazard identification and risk assessment using advanced assessment methods;

- Building a corporate safety culture that fosters good safety practices and encourages safety communications in a non-punitive environment;
- Competent investigation of safety occurrences with sole purpose of identifying systemic safety deficiencies;
- Safety monitoring and safety oversight aimed to assess safety performance and eliminate problem areas; and
- Dedicated safety training for personnel.



Wildlife Management

Airports are mostly located in areas that are natural habitats for wildlife. Therefore, striking a balance between maintaining the environment and commercial requirements of aviation is cardinal to the Corporation. We endeavour to keep wildlife strike incidences at their barest minimum. The Corporation uses integrated, cost-effective and efficient environmental management programmes. Our teams in charge of wildlife management is able to accurately capture comprehensive data daily detailing seasonal trends and daily patterns, allowing for effective management of potentially dangerous occurrences. There is consistent grass monitoring and cutting to keep track of vegetation within and around our airports. All these measures have increased aviation safety standards and contributed significantly to aircraft and passenger safety.

13 Our People – Our Greatest Asset

As a Corporation, we realise that our staff are our greatest asset and they on a day-to-day basis commit to create memorable customer experiences. Our can-do attitude motivates us to take on and overcome any challenge and exceed customer expectations. We emerged out of COVID-19 as a united and committed team. Highlights related to our human capital are as follows:

Staff Satisfaction

Staff satisfaction index increased to 62% in 2022 from 51% in 2021. This was attributed to management interventions such as a 10% salary increment for unionised staff and payment of accrued leave allowances for January 2021 to October 2021 when the Corporation's cash flows were negatively impacted by COVID-19 restrictions. Generally, very low indices recorded in the post COVID-19 era as staff may have been comparing to pre-COVID-19 when cashflows were not impacted.

Gender Balancing

In the year under review, the Corporation made significant progress towards gender equality in the workplace. Executive management had a total of three women out of seven members i.e., 43% representation. At airport management level, two out of the four international airports were headed by women i.e., 50% representation.

The Corporation will continue to ensure that there are equal opportunities for all individuals across all operational and support areas regardless of gender.

Staff Complement

The staff head count for the period ending 31st December 2022 was one thousand and forty-nine (1049) compared to a staff compliment of 1,052 in the previous year. A total number of forty-one (41) new employees were engaged during the year to fill up the vacant positions in critical areas of operations. Twenty (20) employees were engaged on Permanent and Pensionable terms and twenty-one (21) employees on Fixed Term Contract basis.

The Corporation recorded fifty-six (56) separations during the year under review and these were as a result of resignations, normal retirements, deaths, dismissals, discharges and expiration of contracts.

Staff Training and Development

The Corporation provided staff training and development in a continued effort to maintain a skilled, competent, and motivated workforce and ensure provision of high-quality service to the customers. The Corporation continued to support employees to attain higher qualifications and skills at colleges and universities in relevant areas of the business operation. The Corporation availed various training programs to employees locally in the following key areas of operations: Technical and Operational.

Industrial Relations

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

Collective Bargaining for the 2023 Conditions of Service for Unionised employees were held on 21st December 2022 and documents submitted to the Emoluments Commission for determination and guidance.

14 Corporate Social Responsibility

At Zambia Airports Corporation Limited (ZACL), we are cognisant of the fact that it is essential to operate within a more sustainable environment and to do our part to further create and develop better ecosystems. It is for this reason that we work in tandem with our employees, our community, and the aviation industry to integrate Corporate Social Responsibility (CSR) into our daily business and create a positive impact on the lives of the members of the communities in which we operate.

In 2022, the remnants of the impact made by the COVID-19 pandemic on the aviation industry continued to create unprecedented pressure on our business resulting in reduced CSR activities. Despite this, the team pulled together resources to ensure communities continued to be supported.

Awards and Accolades

Held in 2022 due to the restrictions caused by the pandemic, Zambia Airports Corporation Limited was recognised for the 3rd consecutive year at the 2021 Annual Zambia CSR Responsible Business Awards in the category of CSR Excellence in Literacy Support – Early Childhood Learning.

15 Customer Service

The Corporation recognises that understanding customers' needs and requirements and then providing services that meet and exceed expectations not only improves customer satisfaction but also increases non-aeronautical revenue. We continue to make concerted efforts in ensuring client and stakeholder satisfaction through positive interactions as well as problem-solving solutions.

The Corporation takes great pride in our diverse customer base, from passengers to pilots, to meters and greeters, airlines and travel agents as well as persons accessing our properties. To adequately capture valued feedback from the aforementioned groups as well as other stakeholders, various interactive interventions have been introduced.

Throughout the period under review, a dedicated 24/7 mobile line which includes applications such as WhatsApp for easy communication for customers abroad, in addition to the customer care email, provided accessibility for clients regardless of their time zone. This ensured that clients had the assistance they need at their fingertips as we strive to provide them a world-class customer service.

In November 2022, KKIA was the continent winner at the World Luxury Awards in the category of International Airport – Africa. This demonstrates the growing confidence and positive holistic airport experience that travellers have when passing through our airports.

Staff Recognition For Excellent Customer Service In 2022

Exemplary team effort and customer service rendered to a passenger

Ms. Mwiche Kangwa

Mrs. Lennie Phiri

Mr. Chunga Chewe

Sepiso Mwiya

Carolyne Bwalya

Lovedale Ilitongo

Gift Daka

Maryjane Bwalya

16 Climate Change and Environmental Sustainability

ZACL's sustainability vision is for a future in which everyone is able to live well within the planet's finite resources. As part of our commitment towards sustainability, we strive to minimise the impact of our operations on the environment.

In 2022, ZACL developed a sustainability plan to address identified risks as well as improve on its environmental performance. The plan entails attaining certification in ISO 14001:2015 – Environmental Management System (EMS) to enhance compliance with ICAO Annex 16 - Environmental Protection, and Zambia Environmental Management regulations. Further, the plan also focuses on safeguarding the environment from harmful emissions, spillages, noise minimisation and effective management of energy and waste.

Further, the Corporation plans to be part of the ICAO Net Zero 2050 target aimed at decarbonising airports as a climate change mitigation measure. In actualising this, ZACL will pursue Airport Carbon Accreditation (ACA) across different levels to reduce its carbon footprint. Under this plan, the Corporation will optimise use of renewable and sustainable energy resources and incorporate climate resilient solutions including solar energy systems, and material recycling initiatives which was being implemented at Simon Mwansa Kapwepwe and Kenneth Kaunda International Airports.

Other initiatives being implemented to reduce our carbon footprint include implementing Green Air Traffic Management initiatives by developing Instrument Flight Procedures (IFP) that will enable Continuous Climb Operations (CCO), Continuous Descend Operations (CDO) and implement a Free Route Airspace resulting in reduction of fuel use by airlines.

Acting Managing Director, Mrs. Maggie B. Kaunda during the Tree Planting Exercise at Chinkuli Basic School

Teacher at Chinkuli Basic School, Director Corporate Planning and Strategy Mr. Cosam Ngoma and Acting Managing Director Mrs. Maggie B. Kaunda Planting tree at Chinkuli Basic

Tree planting by teachers at Chinkuli Basic School alongside ZACL staff members

17 Supporting Wildlife Protection

Air travel has emerged to be a more convenient mode of transport for wildlife trafficking due to short travelling time and extensive coverage. Airports have in a way facilitated for transportation of illegal wildlife thereby endangering ecosystems as species are diminishing in population and can even lead to extinction.

Zambia is known as a source country for pangolin scales and ivory amongst other wildlife products traded. ZACL has therefore continued to spearhead campaigns against illegal wildlife trafficking through its airports in fulfilment of its commitment to environmental sustainability.

In 2022, ZACL in conjunction with Wildlife Crime Prevention (WCP) and Department of National Parks and Wildlife launched the "#WorthMoreAlive#" campaign at KKIA. This campaign was aimed at raising awareness among travellers coming in and out of the country and included posters and 3D life size installations of wild animals of an elephant, rhino, and leopard.

Mrs. Victoria Musonda from Wildlife Crime Prevention and KKIA Airport Manager Mrs. Harriet Angetile cutting ceremonial ribbon during the Worth More Alive campaign

18 2023 Outlook

ZACL anticipates that 2023 will continue to see significant recovery, potentially exceeding 2019 traffic. The unprecedented and sustained vaccination efforts globally bore fruits in the latter half of 2022, and it is projected that this will increase rate of recovery for 2023. Most States lifted COVID-19 travel restrictions and restored people's freedom to travel. These coupled with pent up demand are projected to spur travel in 2023. Major international route areas in Europe and the Middle East were already exceeding pre-COVID-19 traffic levels towards the close of 2022. Much of these expectations take into account the gradual re-opening of China to international traffic despite that country's trade tensions with the United States of America and Russia – Ukraine war.

Zambia attained 70% rate of vaccination of eligible population in 2022 and joined the rest of the world in lifting COVID-19 infection and prevention measures. Further, the Government waived visa requirements for tourists from the United Kingdom, United States, Canada, Norway, Australia, China, Japan, South Korea, The Gulf States, and the European Union. This is expected to result in an increase in passenger traffic at our airports thereby enhancing ZACL's revenue generating capacity.

Recovery will be further boosted by domestic travel from Lusaka into destinations such as Livingstone, Solwezi and Ndola and regional travel into destinations such as Johannesburg, Addis Ababa, Dar es Salaam and Nairobi.

Zambia's Regional Economic Integration

Zambia is a member of African Continental Free Trade Area (AfCFTA), the world's largest free trade area bringing together the 55 countries of the African Union (AU) and eight (8) Regional Economic Communities (RECs). The overall mandate of the AfCFTA is to create a single continental market with a population of about 1.3 billion people and a combined GDP of approximately US$ 3.4 trillion. Its long-term development strategy is to transform the continent into a global powerhouse.

Part of AfCFTA's mandate is to:

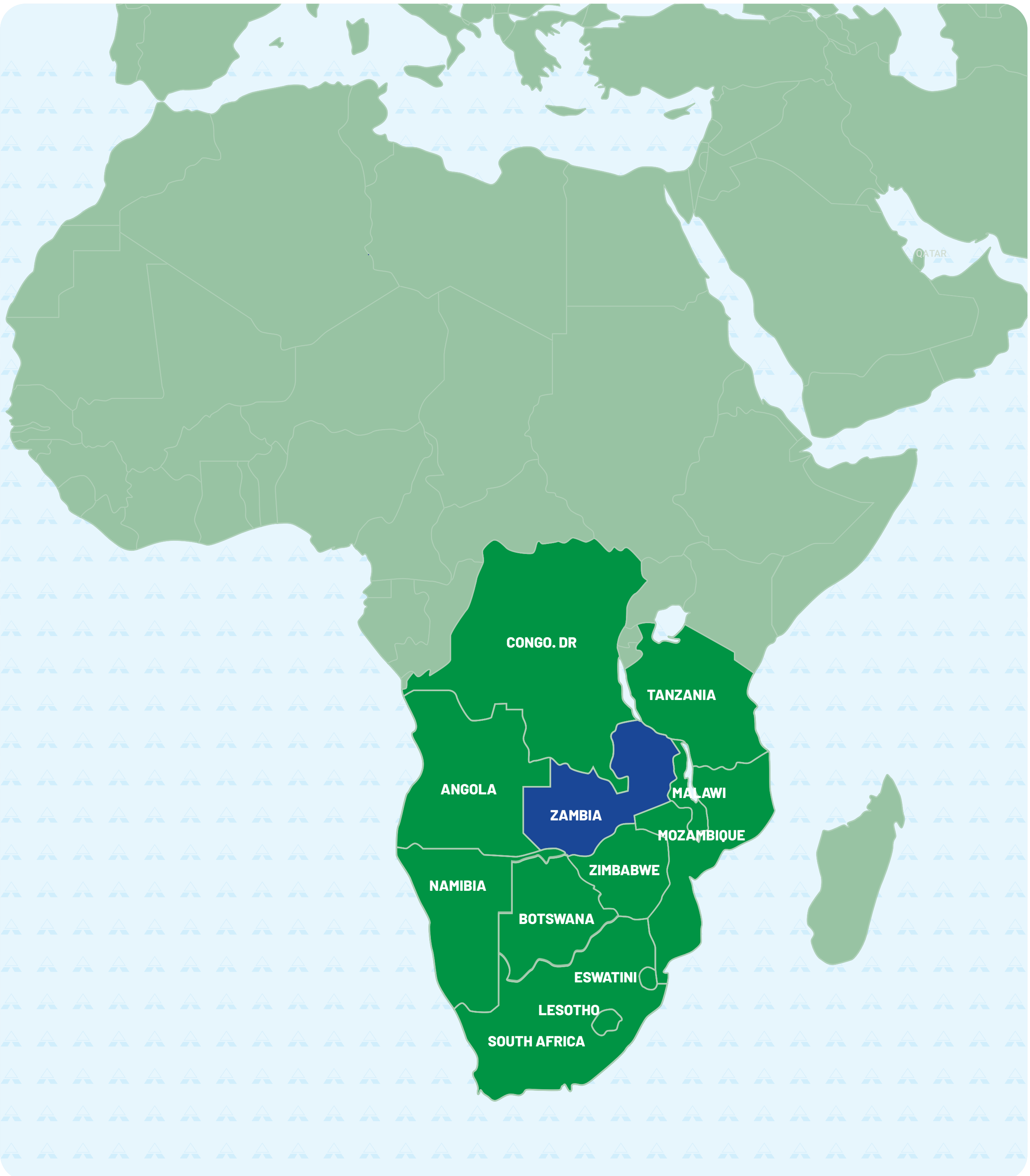
- Eliminate trade barriers;
- Boost intra-Africa trade;
- Advance trade in value-added production across all service sectors;
- Establish regional value chains in Africa; and
- Foster industrialisation, job creation, and investment, thus enhancing the competitiveness of Africa in the medium to long term.

Zambia rankings

Rank	Description	Source
4th	In Africa-Safety & Security	Global Peace Index
20th	In Africa-most competitive economy	Global Competitiveness Index
44th	Globally-Safety & Security	Global Peace Index
4th	In SSA-most attractive destination	Global Peace Index
8th	In Africa-most competitive country	Global Competitiveness Index
6th	In SSS- most peaceful country	Global Peace Index

Geo-economics advantages of Zambia:

- Zambia's strategic location-surrounded by 8 countries.
- Potential centre of Tourism and trade in the region.
- Access to wider markets of SADC, COMESA, EAC & AFCFTA – access to raw materials, finished products, labour and capital
- Establish KKIA as a regional aviation hub for passenger and air cargo



FNB Lounge at Kenneth Kaunda International Airport Departure Area

Zambia Airports Corporation Limited Financial Statements for the year ended 31 December 2022

Contents

Report of the Directors

The Directors submit their report and audited financial statements for the year ended 31 December, 2022.

1. Status of the Corporation

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

2. Principal activities

The Corporation's principal activity is the provision of airport facilities and services at designated international airports, namely Kenneth Kaunda (KKIA), Simon Mwansa Kapwepwe (SMKIA), Harry Mwaanga Nkumbula (HMNIA) and Mfuwe as well as provision of air navigation services throughout Zambia. The Corporation is also in charge of seven provincial and three strategic aerodromes.

3. Share capital

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

4. Results

The Corporation's results are as follows:

	2022 K	2021 K
Operating revenue	617,966,177	396,936,610
Loss before tax	(89,532,325)	(306,710,942)
Income tax (expense)/credit	(11,827,158)	(22,245,185)
Loss after tax	(101,359,483)	(328,956,127)

The Corporation achieved operating revenue of K618 million during the twelve months to 31 December 2022 compared to K396 million for the previous 12 months. Operating costs during the period amounted to K744 million (2021 – K729 million) resulting into a loss before tax of K89 million (2021 –K306 million) after taking into account other charges.

5. Dividends

The Corporation made a loss after tax of K101 million for the year ended 31 December 2022 (2021: loss after tax K328 million). In view of this position the Directors do not recommend a dividend for the year ended 31 December 2022.

6. Directors and Secretary

The Directors and the Secretary who served during the year were as follows:

Mr. Zevyanji Sinkala	-	Chairperson
Dr Frank Munthali	-	Vice Chairperson
Mrs Irene Tembo	-	Member
Mr Mulele Maketo Mulele	-	Member
Mrs Maggie Banda Kaunda	-	Member /Acting Managing Director

The Secretary is:

Mrs. Shabuyi Chatora Kalumba
Zambia Airports Corporation Limited
Farm 4169, Off Airport Road
PO Box 30175
LUSAKA

7. Industrial relations

The Corporation enjoyed industrial harmony throughout the year.

8. Employees

The Corporation had 1049 full time employees at 31 December 2022 (31 December 2021 – 1,052) and total salaries and wages paid were K342 million for the year ended 31 December 2022 (December 2021 – K305 million). The increase in the number was mainly due to the operationalisation of the new Simon Mwansa Kapwepwe International Airport in Ndola which required additional staff as required by the Civil Aviation Authority (CAA).

The average number of employees in each month for the year was:

January 2022	**1049**
February 2022	**1047**
March 2022	**1042**
April 2022	**1040**
May 2022	**1039**
June 2022	**1048**
July 2022	**1065**
August 2022	**1060**
September 2022	**1056**
October 2022	**1053**
November 2022	**1051**
December 2022	**1049**

9. Gifts and donations

The Corporation made donations of K75,000 during the year (2021 – K7,568). No donations were made towards political activities, this is in line with the Corporation's policy on donations.

10. Property, plant and equipment

Additions to property, plant and equipment totaling K58 million were made during the year (2021 – K77 million).

11. Other material facts, circumstances and events

The Corporation's performance has improved when compared to the previous year. The passenger numbers have improved from 753,930 in 2021 to 1,653,880 in 2022 due to uptake of COVID -19 vaccines by travelling passengers coupled with relaxation of travel restrictions across the globe. Increase in passenger numbers at the four international airports culminated in an increase in frequencies by scheduled airlines . From the domestic front, the coming on board of the Zambia Airways has brought competition among domestic players and stabilised the air fares.

There are no major material facts or events that may adversely affect the operations of the Corporation.

12. Financial statements

The financial statements set out on pages 9 to 44 have been approved by the Directors.

13. Auditors

The Corporation auditors, Grant Thornton, retire at the forth coming Annual General Meeting and have expressed willingness to continue in office. A resolution proposing their reappointment and authorising the Directors to fix their remuneration will be put to the Annual General Meeting.

By order of the Board

Mrs. Shubayi Kalumba Chatora
Corporation Secretary

Lusaka
Date:

Statement of Directors' Responsibilities

Section 265 of the Zambian Companies Act 2017 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of Zambia Airports Corporation Limited and of its financial performance and its cash flows for the year then ended. In preparing such financial statements, the directors are responsible for

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error;
- selecting appropriate accounting policies and applying them consistently;
- making judgements and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with the applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2017. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirm that in their opinion

a. the financial statements give a true and fair view of the financial position of Zambia Airports Corporation Limited as of 31 December 2022, and of its financial performance and its cash flows for the year then ended;

b. at the date of this statement there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when these fall due; and

c. the financial statements are drawn up in accordance with the provisions of the Companies Act 2017 and International Financial Reporting Standards.

This statement is made in accordance with a resolution of the directors.

Signed at Lusaka on

Mr. Zevyanji Sinkala
Chairperson

Mrs. Maggie Banda Kaunda
Director

Grant Thornton

Report of the Independent Auditor

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 2022, 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, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our opinion is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

The Corporation's financial performance has improved when compared to 2021. We draw attention to note 4 in the financial statements which indicates that the Corporation incurred a loss of K101,359,483 (2021: loss K328,956,127) during the year to 31 December 2022. At the reporting date its current assets exceeded its current liabilities by K45,533,987 where as in 2021 current liabilities exceeded current assets by K192,343,406.

Key Audit Matter

Key audit matter is a matter that, in our professional judgement, was of significance in our audit of the financial statements for the current period. This matter was 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 this matter. We have determined the matter described below to be a key audit matter to be communicated in our report.

Report of the Independent Auditor

To the Members of Zambia Airports Corporation Limited (Continued)

Description of matter	How matter was addressed
Classification, measurement and impairment of financial assets The Corporation classified, measured and assessed impairment of the Corporation's assets in accordance with IFRS 9 "financial instruments". The Directors are required to review the classifications of assets and align the classifications to the requirements of the reporting standards. The Directors also reviewed the fair valuations and impairment models. Due to the complex and subjective judgements required in estimating the timing and valuation of impairment and in estimating the fair value of assets, this was considered a key audit matter.	We reviewed the classification of the financial assets to ensure compliance with the reporting standards. We reviewed the valuation and verified the calculation of the fair values. We also verified the inputs used in the valuations. In considering the reasonableness of the impairment provision, we reviewed the assumptions used in impairment calculations.

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.

Report of the Independent Auditor

To the Members of Zambia Airports Corporation Limited (Continued)

Auditor`s Responsibilities for the Audit of the Financial Statements (continued)

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.

Report of the Independent Auditor

To the Members of Zambia Airports Corporation Limited (Continued)

Auditor`s Responsibilities for the Audit of the Financial Statements (continued)

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 that fact. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

The Companies Act, 2017 requires that in carrying out our audit of the Zambian Airports Corporation Limited,

we report on whether;

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

ii. There are serious breaches by the Corporation's directors, of corporate governance principles or practices.

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

Chartered Accountants

Christopher Mulenga (AUD/F000178)

Name of Partner signing on behalf of the Firm

Lusaka

Date: 26 May 2023

Statement of Other Comprehensive Income

For The Year Ended 31 December 2022

	Notes	2022 K	2021 K
Revenue	8	617,966,177	396,936,610
Expenditure			
Depreciation	11 (a) and 11(b)	(237,707,053)	(237,863,763)
Employee costs	Appendix 1	(342,535,449)	(305,302,125)
Other operating expenses	Appendix 2	(144,835,746)	(145,597,013)
		(107,112,802)	(291,826,291)
Other income	Appendix 1	35,673,018	25,330,186
Loss from operations		(71,439,784)	(266,496,105)
Net finance income and costs	9	(18,092,541)	(40,214,837)
Loss on disposals		-	-
Loss before tax		(89,532,325)	(306,710,942)
Income tax (expense)/credit	10(a)	(11,827,158)	(22,245,185)
Loss after tax		(101,359,483)	(328,956,127)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(101,359,483)**	**(328,956,127)**

Statement of Financial Position

As at 31 December 2022

	Notes	2022 K	2021 K
Non-Current Assets			
Property, plant and equipment	11(a)	7,773,997,396	7,951,206,894
Right- of -use assets	11(b)	-	2,884,592
Financial assets at fair value through profit or loss	12	3,645,912	3,645,912
Deferred tax asset	11(c)	-	-
		7,777,643,308	**7,957,737,398**
Current Assets			
Inventories	13	3,707,187	2,381,344
Trade and other receivables	14	119,362,606	40,038,087
Financial assets at amortised cost	15(a)	11,888,714	18,671,962
Financial assets at fair value through profit or loss	15(b)	2,753,737	2,611,158
Cash and cash equivalents	16(a)	179,655,833	10,111,065
		317,368,077	**73,813,616**
Total Assets		**8,095,011,385**	**8,031,551,014**
Equity			
Share capital	17	16,458,500	16,458,500
Amounts received awaiting allotment of shares	18	13,928,678	13,928,678
Revaluation reserves		7,133,172,606	7,315,921,974
Accumulated (loss)/profit		9,128,255	(72,261,630)
		7,172,688,039	**7,274,047,522**
Non-Current Liabilities			
Capital grants	18	410,369,824	222,652,412
Long-term loans	19	162,931,932	190,899,095
Obligations under finance leases	20	-	-
Deferred liability	21	77,187,500	77,794,963
		650,489,256	**491,346,470**

Statement of Financial Position (Continued)

As at 31 December 2022

	Notes	2022 K	2021 K
Current Liabilities			
Short term portion of long-term loans	19	63,057,140	72,726,200
Obligations under finance leases	20	-	413,790
Trade and other payables	22	167,386,835	164,047,352
Income tax payable	10 (c)	30,890,115	19,062,957
Bank overdraft	16	-	56,723
Deferred liability	21	10,500,000	9,850,000
		271,834,090	**266,157,022**
Total Equity and Liabilities		**8,095,011,385**	**8,031,551,014**

The financial statements set out on pages 9 to 44, which have been prepared on a going concern basis, were approved by the Board of Directors on 26 May 2023 and were signed on its behalf by:

Mr Zevyanji Sinkala
Chairperson

Mrs Maggie Banda Kaunda
Director

Statement of Changes in Equity

For The Year Ended 31 December 2022

	Share capital K	Amount received awaiting allotment of shares K	Revaluation reserves K	Accumulated profit/(loss) K	Total K
At 1 January 2021	16,458,500	13,928,678	7,529,129,567	43,486,904	7,603,003,649
Loss for the year	-	-	-	(328,956,127)	(328,956,127)
Transfer	-	-	(213,207,593)	213,207,593	-
At 31 December 2021	**16,458,500**	**13,928,678**	**7,315,921,974**	**(72,261,630)**	**7,274,047,522**
Loss for the year	-	-	-	(101,359,483)	(101,359,483)
Transfer	-	-	(182,749,368)	182,749,368	-
At 31 December 2022	**16,458,500**	**13,928,678**	**7,133,172,606**	**9,128,255**	**7,172,688,039**

Revaluation reserves

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

Accumulated profit/(loss)

The accumulated profit/ (loss) 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.

Statement of Cash Flows

For The Year Ended 31 December 2022

	Notes	2022 K	2021K
Cash Flows from operating activities			
Loss before tax		(89,532,325)	(306,710,942)
Interest paid	9	32,485,070	34,384,401
Interest received	9	(2,455,858)	(2,823,243)
Unrealised exchange (gain)/losses on foreign transactions		11,222,100	(40,440,039)
Depreciation	11	237,707,053	237,863,763
Amortisation of capital grants	18	(18,186,549)	(10,433,154)
Fair value gain on investment		(142,579)	-
(Increase)/decrease in inventories		(1,325,843)	1,679,377
(Increase)/decrease in trade and other receivables		(79,325,519)	62,743,162
Increase in trade and other payables		3,339,483	94,326,005
Decrease/(increase) in financial assets at amortised cost		6,783,248	(10,295,448)
Increase in deferred liability		42,537	2,929,600
Revenue Grants received - GRZ		(10,941,341)	(10,379,137)
Net cash inflows/(outflows) from /(on) operating activities		**89,670,477**	**52,844,345**
Returns on investments and servicing of finance			
Interest received	9	2,455,858	2,823,243
Interest paid	9	(32,485,070)	(34,384,401)
Net cash flows used on returns on investments and servicing of finance		**(30,029,212)**	**(31,561,158)**
Income tax paid	10(c)	-	(990,000)
Investing activities			
Purchase of property, plant and equipment	11	(57,612,963)	(76,708,337)
Net cash outflows used on investing activities		**(57,612,963)**	**(76,708,337)**

Notes to the Financial Statements for the Year Ended 31 December 2022

For The Year Ended 31 December 2022

	Notes	2022 K	2021 K
Financing activities			
Revenue Grants received		10,941,341	10,379,137
Capital Grant received		205,903,961	-
Long-term loan received	19	8,148,712	105,920,827
Finance lease repaid		(413,790)	(6,704,518)
Repayment of loans	19	(57,007,035)	(92,040,420)
Net cash inflows from financing activities		**167,573,189**	**17,555,026**
Movement in cash and cash equivalents Net cash outflow		169,601,491	(38,860,124)
Cash and cash equivalents at beginning of the year		10,054,342	48,914,466
Cash and cash equivalents at end of the year	16	**179,655,833**	**10,054,342**

1. Status of the Corporation

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

2. Principal activities

The Corporation's principal activity is the provision of airport facilities and services at designated international airports, namely Kenneth Kaunda 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. 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 land and buildings 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. Going concern

During the year, the Corporation recorded a loss after tax of K101 million (2021: loss of K329 million) and its current assets exceeded current liabilities by K45,534,987 million (2021: K192,343,406 million) current liabilities exceeded current assets and had accumulated losses of K21 million as at the financial position date. The Corporation meets its day to day working capital requirements from its own generation of funds through the collection of various fees and bank borrowing.

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 future profitable operations.

If the Corporation were unable to continue in operational existence, adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify property, plant and equipment as current assets.

The Directors have reviewed the effects of the matters mentioned above and believe that it is appropriate for the financial statements to be prepared on a going concern basis.

5. Significant accounting policies

a. New standards adopted at 1 April 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Company's financial statement.

b. Other Standards and amendments that are effective for the first time in 2022 or could be applicable to the Company are:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

- Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements (2018-2020 Cycle): – Subsidiary as a First-time Adopter (Amendments to IFRS 1) – Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9) – Lease Incentives (Amendments to IFRS 16) – Taxation in Fair Value Measurements (Amendments to IAS 41).

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

c. Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, standards and amendments to existing standards and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been early adopted by the Company. These include:

- IFRS 17 'Insurance Contracts' - IFRS 17 'Insurance Contracts' will have a major impact on entities issuing insurance contracts, however, it will not affect the Company
- Amendments to IFRS 17 'Insurance Contracts' (Amendments to IFRS 17 and IFRS 4)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements

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

d. Revenue recognition

i. Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction and closure of the related file.

Revenue represents the fair value of the consideration receivable for sales of goods and services. To determine whether to recognise revenue, the Corporation follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from rendering of services is currently recognised as the related services are performed. Revenue is recognised either at a point in time or over time, when (or as) the Corporation satisfies performance obligations by transferring the services to its customers. The Corporation recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its statement of financial position. Similarly, if the Corporation satisfies a performance obligation before it receives the consideration, the Corporation recognises either a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

ii. Interest income and expense:

Interest income and expense are recognised in the income statement for all interest bearing instruments measured at amortised cost using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments.

iii. Fees and commissions

Fees and commissions are generally recognised on an accruals basis when the service has been provided.

e. 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:

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%**

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.

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.

f. 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.

iv. 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.

g. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)

- fair value through other comprehensive income (FVOCI).

In the periods presented the entity does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

The category also contains equity investments. The Corporation accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in listed equity securities at fair value through other comprehensive income (FVOCI). In the current financial year, the fair value was determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at Fair Value through Other Comprehensive Income (FVOCI)

Financial assets are designated as being at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cashflows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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 this 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' would cover financial assets that have objective evidence of impairment at the reporting date.

  '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Corporation considers evidence of impairment for trade and other receivables as well as investments.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Interest on the impaired assets continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Classification and measurement of financial liabilities

The Corporation's financial liabilities include borrowings and other payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Corporation designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Financial liability at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

o. 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.

p. 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.

q. 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. 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 2021 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.

7. Management of financial risk

7.1 Financial risk

The Corporation is exposed to a range of financial risks through its financial assets and financial liabilities (borrowings). The most important components of this financial risk are interest rate risk and credit risk. These risks arise from open positions in interest rate and business environments, all of which are exposed to general and specific market movements. The Corporation manages these positions with a framework that has been developed to monitor its customers and return on its investments.

7.2 Credit risk

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

7.3 Capital management

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

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

8. Revenue

	2022 K	2021 K
Over flight fees	61,223,313	46,884,732
Air Navigation fees	27,214,367	20,935,055
Passenger service charges	168,102,963	87,537,409
Security charges	38,120,489	19,627,222
Cute and Cuss	11,622,720	6,783,907
Landing fees	84,786,689	66,115,037
Parking fees	3,218,019	3,357,635
Fuel through put fees	8,996,394	4,617,508
Car park	4,372,521	1,873,662
Ground handling	99,837,500	72,124,273
Aviation infrastructure fees	72,383,174	37,631,068
Rentals	38,088,028	29,449,102
	617,966,177	**396,936,610**

9. Net finance income and costs

	2022 K	2021 K
Interest on loans	(32,485,070)	(34,384,401)
Interest on short term investments	2,455,858	2,823,243
Net exchange(loss)/gain	11,936,671	(8,653,679)
	18,092,541	**(40,214,837)**

10. Income tax expense

	2022 K	2021 K
a. Recognised in the statement of Comprehensive Income		
Charge for the year		
Income tax on normal income	-	-
Income tax on taxable other income	11,827,158	8,082,737)
Deferred tax	-	14,162,448
	11,827,158	**22,245,185**

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

10. Income tax expense (Continued)

	2022 K	2021 K
b. Reconciliation of the tax charge		
Loss before taxation	**(89,532,325)**	**(306,710,943)**
Taxation at current rate on accounting profit	(26,859,698)	(107,348,830)
Interest	736,758	988,135
Rent	3,764,089	2,193,797
Other income	7,326,311	4,900,805
Permanent differences:		
Disallowable expenses	1,313,238	18,289,652
Timing differences:		
Capital allowances and depreciation	52,403,941	43,515,136
Allowable expenses	(26,273,974)	(7,284,302)
Other income	(17,096,881)	(13,567,230)
Loss b/f	(152,755,688)	(86,360,114)
Tax loss adjustment	21,822,242	-
Loss c/f	147,446,820	152,755,688
Deferred tax	-	14,162,448
Tax expense	**11,827,158**	**22,245,185**
c. Movement in taxation payable account		
At the beginning of the period	19,062,957	11,970,220
Charge for the period	11,827,158	8,082,737
Payments during the period	-	(990,000)
At end of the period	**30,890,115**	**19,062,957**
d. Deferred taxation		
This represents:		
Analysis of movement:		
At 1 January 2020	-	(14,162,448)
Provision/(credit) made during the year	-	14,162,448
At 31 December 2021	-	-

The deferred tax asset has been derecognised as it is not probable that future taxable profit will be available against which the unused tax losses can be utilised.

10. Income tax expense (Continued)

e. Income tax returns have been filed with the Zambia Revenue Authority for all the years up to 31 December 2021. Quarterly tax returns for the period ended 31 December 2022 were made on the due dates during the year.

f. Deferred income tax

Analysis :

	1 January K	Charged to profit & loss K	Not charged to profit & loss K	Charged to equity K	31 December K
Deferred income tax liability					
Property plant and equipment - revaluation	-	-	-	-	-
Property plant and equipment - cost	-	-	-	-	-
Exchange (losses)/gains	-	-	-	-	-
Loss c/f	-	-	-	-	-
	-	-	-	-	-

11. (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 2021	7,919,978,414	23,463,504	486,900,807	150,055,432	8,580,398,157
Transfer from right of use assets	-	1,236,177	8,334,712	-	9,570,889
Additions	136,048	1,241,420	15,895,004	59,435,865	76,708,337
Capitalised	-	-	113,003,875	(113,003,875)	-
Disposals	-	(1,172,582)	-	-	(1,172,582)
At 31 December 2021	**7,920,114,462**	**24,768,519**	**624,134,398**	**96,487,422**	**8,665,504,801**
Transfer from right of use assets	-	3,120,634	1,765,992		4,886,626
Additions	3,194,407	-	838,251	53,580,305	57,612,963
At 31 December 2022	**7,923,308,869**	**27,889,153**	**626,738,641**	**150,067,727**	**8,728,004,390**
At Valuation	7,322,451,692	-	-	-	7,322,451,692
Cost	600,857,171	27,889,153	626,738,641	150,067,727	1,405,552,692
	7,923,308,863	**27,889,153**	**626,738,641**	**150,067,727**	**8,728,004,390**

11. (a) Property, plant and equipment (Continued)

	Airport terminal runways Taxiways and aprons K	Motor vehicles K	Equipment and furniture K	Capital work in progress K	Total K
Depreciation					
At 1 January 2021	194,021,171	17,609,462	262,100,648	-	473,731,281
Transfer from right of use assets	-	829,284	5,702,257	-	6,531,541
Charge for the year	197,994,142	1,644,875	35,568,650	-	235,207,667
Disposals	-	(1,172,582)	-	-	(1,172,582)
At 31 December 2021	**392,015,313**	**18,911,039**	**303,371,555**	-	**714,297,907**
Transfer from right of use assets	-	1,687,923	314,111	-	2,002,034
Charge for the year	198,006,921	2,213,078	37,487,054	-	237,707,053
Disposals	-	-	-	-	-
At 31 December 2022	**590,022,234**	**22,812,040**	**341,172,720**	-	**954,006,994**
Net book value					
At 31 December 2022	**7,333,286,635**	**5,077,113**	**285,565,921**	**150,067,727**	**7,773,997,396**
At 31 December 2021	**7,528,099,149**	**5,857,480**	**320,762,843**	**96,487,422**	**7,951,206,894**

i. The Corporation's airport terminals, runways, taxiways and aprons were revalued at 30th April 2020 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.

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 K217,706,607 (2021: K176,030,478). The notional depreciation would be K38,064,503 (2022: K28,155,483)

iv. If the cost model had been used, the carrying amounts of the property plant and equipment would be K1,118,281,369 (2021: K1,055,781,782). The revalued amounts include a revaluation surplus of K6,891,390,725 before tax (2021, K7,315,921,974 which is not available for distribution to the shareholders of Zambia Airports Corporation Limited.

11. (b) Right -of- Use assets

	Motor Vehicles K	Equipment K	Total K
At cost			
At 1 January 2021	4,356,811	10,100,704	14,457,515
Transfer to property, plant and equipment	(1,236,177)	(8,334,712)	(9,570,889)
At 31 December 2021	3,120,634	1,765,992	4,886,626
Transfer to property, plant and equipment	(3,120,634)	(1,765,992)	(4,886,629)
At 31 December 2022	-	-	-
Accumulated depreciation			
At 1 January 2021	1,645,845	4,231,634	5,877,479
Charge for the year	871,362	1,784,734	2,656,096
Transfer to property, plant and equipment	(829,284)	(5,702,257)	(6,531,541)
At 31 December 2021	1,687,923	314,111	2,002,034
Charge for the year	-	-	-
Transfer to property, plant and equipment	(1,687,923)	(314,111)	(2,002,034)
At 31 December 2022	-	-	-
Carrying amount			
At 31 December 2022	**-**	**-**	**-**
At 31 December 2021	**1,432,711**	**1,451,881**	**2,884,592**

11. Right -of- Use assets – (continued)

The Company leased motor vehicles and equipment on a three-year lease.
The maturity analysis of lease liabilities is presented in note 21

	2022 K	2021 K
Amounts recognized in profit or loss		
Depreciation expense on right-of-use assets	-	2,656,096
Interest expense on lease liabilities	72,122	797,943
	72,122	**3,454,039**

The total cash outflow for the leases amount to K500,631 (2021: K2,656,096).

12. Financial assets at fair value through profit or loss

	3,645,912	**3,645,912**

13. Inventories

Consumable stores	4,499,117	3,173,274
Less provision for obsolete stock	(791,930)	(791,930)
	3,707,187	**2,381,344**

	2022 K	2021 K
14. Trade and other receivables		
Trade debtors	247,074,436	189,096,704
Less: provision for impairment losses	(137,578,585)	(154,220,560)
	109,495,851	34,876,144
Sundry creditors in debit	7,734,403	2,393,960
Staff loans and advances	341,905	646,964
Deposits and prepayments	1,790,447	2,121,019
	119,362,606	**40,038,087**

	2022 K	2021 K
15. (a) Financial assets at amortised cost		
Zambia Industrial Commercial Bank	-	7,553,842
Atlas Mara Bank	11,751,768	10,992,221
Finance Building Society	136,946	125,899
	11,888,714	**18,671,962**
180 days fixed term deposits	136,946	125,899
91 days fixed term deposits	11,751,768	18,546,063
	11,888,714	**18,671,962**

	2022 K	2021 K
15. (b) Financial assets at fair value through profit or loss		
Madison Unit Trust	2,753,737	2,611,158
	2,753,737	**2,611,158**

	2022 K	2021 K
16. Cash and cash equivalents		
Cash in hand and at bank (note (a))	179,655,833	10,111,065
Bank overdrafts	-	(56,723)
	179,655,833	**10,054,342**
(a) Cash in hand and at bank		
Bank balances	179,644,862	10,101,034
Cash in hand	10,971	10,031
	179,655,833	**10,111,065**

	2022 K	2021 K
17. Share capital		
Authorised, issued and fully paid		
	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 statement of financial position date K14,988,322 had been allotted and the balance of K13,928,678 is held awaiting allotment of shares.

	2022 K	2021 K
18. Capital grants		
At beginning of the year	222,652,412	233,085,566
Addition during the year	205,903,961	-
Amortisation during the year	(18,186,549)	(10,433,154)
	410,369,824	**222,652,412**

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

	2022 K	2021 K
19. Long-term loans		
Zambia National Commercial Bank Plc		
At beginning of the year	263,625,296	290,184,927
Additions during the year	8,148,712	105,920,827
Repayments during the year	(57,007,035)	(92,040,420)
Unrealised exchange gains	11,222,100	(40,440,039)
	225,989,072	**263,625,295**
Portion repayable within next 12 months	63,057,140	72,726,200
Portion repayable after 12 months	162,931,932	190,899,095
	225,989,072	**263,625,295**

The ZANACO facilities represent;

i. US$8,859,507.55 loans bearing interest at 9%. The facility which was to be repayable by June 2022, was restructured in September 2021,

ii. USD10,000,000 at 9% and K120 million Covid relief loan at 20%.

The loans are secured by the assignment of foreign currency receivables from IATA. Detailed analysis of the loans are in the table below.

Project name	Details	Initial amount USD	Monthly principal payout USD	Interest	Maturity date	Running balance
HMNIA -Terminal building	Construction of HMNIA	8,859,507.55	73,373.57	8.5%	30/06/2025	2,436,369.61
Electrical Ring Cable	Airfield Lighting	3,300,000	44,470.61	9%	31/12/2025	1,796,294.29
Instrument Landing System	NAV Aids	1,500,000	13,590.57	9%	30/04/2026	640,375.21
RADAR	RADAR Maintenance	1,400,000	11,566.33	9%	31/03/2026	710,070.95
RADAR Training	Training of controllers	600,000	9,261.84	9%	30/09/2026	488,042.08
ORAT	KKIA Operationalising	1,200,000	7,608.45	9%	31/03/2026	337,788.17
New KKIA - hotel	Equipment for hotel	2,000,000	27,966.57	9%	30/09/2026	1,473,666.46
Stimulus loan	Working capital	120,000,000	1,863,817.24	20%	30/09/2025	83,688,313.53

	2022 K	2021 K
20. Obligations under finance leases		
At beginning of the year	413,790	7,118,308
Additions during the year	-	-
Repayments during the year	(413,790)	(6,704,518)
At end of year	-	**413,790**
Repayable within next 12 months	-	413,790
Repayable between 2 to 5 years	-	-
	-	**413,790**

The leases were obtained from Stanbic Bank Zambia Ltd and were for procurement of operational equipment and motor vehicles. The leases have since been fully liquidated.

21. Deferred liability

Deferred liability relates to provision for terminal benefits amounting to K87.7 million (2021: K87.6 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.

	2022 K	2021 K
At the beginning of the year	87,644,963	84,715,363
Interest	11,523,001	11,158,534
Payments	(11,480,464)	(8,228,934)
	87,687,500	**87,644,963**
Payable within next 12 months	10,500,000	9,850,000
Payable after 12 months	77,187,500	77,794,963
	87,687,500	**87,644,963**

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 7 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:

	2022 K	2021 K
Current year contribution on defined contribution scheme	10,241,783	8,005,782
Interest on discontinued long service gratuity.	11,794,921	11,158,534
	22,036,704	**19,164,316**

22. Trade and other payables

Trade creditors	34,212,456	57,775,289
Leave pay	33,252,777	24,089,439
Gratuity	9,005,375	17,548,260
Accruals	4,228,839	2,790,637
Other creditors and provisions	85,368,336	61,843,727
Staff debtors in credit	1,319,052	-
	167,386,835	**164,047,352**

23. 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 13.6% gearing ratio (2021: 3.8%).

Categories of financial instruments

Financial assets

	Notes	2022 K	2021K
Cash and bank balances	16 (a)	179,655,833	10,054,342
Staff loans and advances	14	341,905	646,964
Deposits and prepayments	14	1,790,447	2,121,019
Trade receivables	14	109,495,851	34,876,144
Financial assets at amortised cost	15(a)	11,888,714	18,671,962
Financial assets at fair value through profit and loss	12,15(b)	2,753,737	2,611,158
Sundry creditors in debit	14	7,734,403	2,393,960
		313,660,890	**71,375,549**
Financial liabilities held at amortised cost or fair value			
Trade creditors	22	34,212,456	57,775,289
Leave pay	22	33,252,777	24,089,439
Gratuity	22	9,005,375	17,548,260
Accruals	22	4,228,839	2,790,637
Other payables and provisions	22	85,368,336	61,843,727
Zambia National Commercial Bank Plc-long-term loans	19	225,989,072	263,625,295
Stanbic Bank Zambia Limited-finance leases	20	-	413,790
Employee terminal benefits	21	87,687,500	87,644,963
		479,744,355	**515,731,400**

23. 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 denominated 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:

		2022 K	2021K
Currency	**Asset**		
US Dollars	Bank balances	1,114,135	5,135,630
US Dollars	Receivables	12,020,599	10,001,160
		13,134,734	**15,136,790**
	Liabilities		
US Dollars	Trade creditors	1,894,528	775,314
US Dollars	ZANACO loans	7,882,607	159,136,790
US Dollars	Stanbic finance leases	-	24,843
		9,777,135	**159,936,947**

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

23. Financial instruments-risk management (continued)

	Mid-market exchange rate as at 31 Dec 2022	Mid-market exchange rate as at 31 Dec 2021	Average currency appreciation during the year
US Dollars	K18.0525	K16.6565	8.38%

As at 31 December 2022, Kwacha depreciated by 8 % when compared to December 2021.

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	2022 K	2021 K
Trade receivables	14	109,495,851	34,876,144
Sundry creditors in debit	14	7,734,403	2,393,960
Staff loans and advances	14	341,905	646,964
Deposits and prepayments	14	1,790,447	2,121,019
Financial assets at amortised cost	15(a)	11,888,714	18,671,962
Financial assets at fair value through profit or loss	12,15(b)	2,753,737	2,611,158
Cash and bank balances	16(a)	179,655,833	10,054,342
		313,660,890	**71,375,549**

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

23. Financial instruments-risk management (continued)

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.

	Note	1 to 3 months K	3 months to 1 year K	More than 1 year K	Total K
31 December 2022					
Liabilities					
Trade payables	22	34,212,456	-	-	34,212,456
Leave pay	22	33,252,777	-	-	33,252,777
Gratuity	22	9,005,375	-	-	9,005,375
Accruals	22	4,228,839	-	-	4,228,839
Other creditors and provisions	22	85,368,336	-	-	85,368,336
Zambia National Commercial Bank PLC loans	19	15,764,285	63,057,140	147,167,647	225,989,072
Stanbic bank Zambia Limited-leases	20	-	-	-	-
Deferred liability	21	2,500,000	10,500,000	74,687,500	87,687,500
		184,332,068	**73,557,140**	**221,855,147**	**479,744,355**
Assets					
Bank and cash balances	16(a)	179,655,833	-	-	179,655,833
Financial assets at amortised cost	15(a)	11,888,714	-	-	11,888,714
Staff loans and advances	14	341,905	-	-	341,905
Deposits and prepayments	14	1,790,447	-	-	1,790,447
Trade receivables	14	109,495,851	-	-	109,495,851
Sundry creditors in debit	14	7,734,403	-	-	7,734,403
Financial assets at fair value through profit or loss	12, 15(b)	2,753,737	-	-	2,753,737
		313,660,890	**-**	**-**	**313,660,890**

23. Financial instruments-risk management (continued)

	Note	1 to 3 months K	3 months to 1 year K	More than 1 year K	Total K
31 December 2021					
Liabilities					
Trade payables	22	57,775,289	-	-	57,775,289
Leave pay	22	24,089,439	-	-	24,089,439
Gratuity	22	17,548,260	-	-	17,548,260
Accruals	22	2,790,637	-	-	2,790,637
Other creditors and provisions	22	61,843,727	-	-	61,843,727
Zambia National Commercial Bank PLC loans	19	20,473,310	61,419,929	181,732,056	263,625,295
Stanbic bank Zambia Limited-leases	20	413,790	-	-	413,790
Deferred liability	21	2,929,600	4,500,000	80,215,363	87,644,963
		187,864,052	**65,919,929**	**261,947,419**	**515,731,400**
Assets	16(a)				
Bank and cash balances	15(a)	10,054,342	-		10,054,342
Financial assets at amortised cost	14	18,671,962	-		18,671,962
Staff loans and advances	14	646,964	-		646,964
Deposits and prepayments	14	2,121,019	-		2,121,019
Trade receivables	14	34,876,144	-		34,876,144
Sundry creditors in debit		2,393,960	-	-	2,393,960
Financial assets at fair value through profit or loss	12,15(b)	-	-	2,611,158	2,611,158
		68,764,391	-	**2,611,158**	**71,375,549**

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 Securities Exchange).

23. Financial instruments-risk management (continued)

- **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.

		2022		2021	
	Notes	Carrying amount	Fair value K	Carrying amount K	Fair value K
Financial assets					
Bank and cash balance	16(a)	179,655,833	179,655,833	10,054,342	10,054,342
Financial assets at amortised cost	15(a)	11,888,714	11,888,714	18,671,962	18,671,962
Trade receivables	14	109,495,851	109,495,851	34,876,144	34,876,144
Receivables from employees	14	341,905	341,905	646,964	646,964
Deposits and prepayments	14	1,790,447	1,790,447	2,121,019	2,121,019
Sundry creditors in debit	14	7,734,403	7,734,403	2,393,960	2,393,960
Financial assets at fair value through profit or loss	12,15(b)	-	-	2,611,158	2,611,158
		310,907,153	**310,907,153**	**71,375,549**	**71,375,549**
Financial liabilities					
Trade payables	22	34,212,456	34,212,456	57,775,289	57,775,289
Deferred liability	21	87,687,500	87,687,500	87,644,963	87,644,963
Other payables and provisions	22	85,368,336	85,368,336	61,843,727	61,843,727
Leave pay	22	33,252,777	33,252,777	24,089,439	24,089,439
Gratuity	22	9,005,375	9,005,375	17,548,260	17,548,260
Accruals	22	4,228,839	4,228,839	2,790,637	2,790,637
Stanbic Zambia Limited – Finance lease	20	-	-	413,790	413,790
Zambia National Commercial Bank PLC	19	225,989,072	225,989,072	263,625,295	263,625,295
		479,744,355	**479,744,355**	**515,731,400**	**515,731,400**

23. Financial instruments-risk management (continued)

Credit risk-trade debtors analysis

	2022			2021		
	Gross K	Impairment K	Net K	Gross K	Impairment K	Net K
Current	58,812,606	464,051	58,348,555	39,689,642	(24,832,019)	14,857,623
Past due 0 -30 days	55,629,297	6,089,691	49,539,606	28,723,786	(15,466,314)	13,257,472
Past due 31-90 days	7,741,305	6,133,615	1,607,690	3,689,458	(71,575)	3,617,883
Past due 91-120 days	4,570,741	4,570,741	-	3,196,873	(53,707)	3,143,166
Past due 121-180 days	120,320,487	120,320,487	-	113,796,945	(113,796,945)	-
	247,074,436	**137,578,585**	**109,495,851**	**189,096,704**	**(154,220,560)**	**34,876,144**

Impairment losses

	2022 K	2021 K
Movement in impairment provision		
At beginning of the year	154,220,560	127,337,222
Charge during the year	(16,641,975)	26,883,338
At the year end	**137,578,585**	**154,220,560**

24. 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

	2022 K	2021 K
i. Key management compensation		
Salaries and other short term employee benefits	12,067,719	4,718,116
Termination benefits	4,442,353	6,704,517
ii. Directors fees	674,181	1,632,258
iii. Surveillance radar system-GRZ	-	-
iv. Revenue grant-GRZ	**10,941,341**	**10,379,138**

c. Balances due from related parties

Executive Directors and key management		
i. Loans and advances	-	437,500

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

25. Dividend

	2022 K	2021 K
The proposed dividend	-	-

The Directors do not recommend a dividend for the year ended 31 December 2022 due to the post effects of the coronavirus pandemic. A cash buffer is required to sustain the operations of the Corporation.

	2022 K	2021 K
26. 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.

	2022 K	2021 K
27. Capital commitments		
Approved by the Board but not contracted	-	-

28. Effects of COVID -19

The momentum of recovery out of the COVID-19 pandemic is heavily reliant on stakeholder commitment and coordination. Therefore, given the positive roll out of the vaccines worldwide, the Corporation anticipates that the gains posted in 2022 will be sustained and will continue to see significant recovery, potentially exceeding 2019 passenger numbers. This recovery will continue to be largely driven by domestic and regional travel, predominantly, trade and tourism. Major international route areas mostly in Europe and the Middle East are already exceeding pre-COVID-19 levels. The attainment of 70% vaccination rate of eligible population in Zambia in 2022 coupled with the waiver of visa requirements for selected countries which include China, and the United Kingdom is expected to result in an increase in passenger numbers at our airports. With the newly built-up infrastructure and operations at the new KKIA Terminal II and new SMKIA, revenue growth, cost management and efficiency remain cardinal for sustainability of operations. Over and above, the COVID-19 episode has led to an urgent awakening for our businesses to workout business continuity strategies which will enable financial resilience even when faced with business disruptions.

29. Climate change

The aviation industry has recently been put on the spotlight with issues pertaining to climate change. The Corporation acknowledges its contribution to climate change and thus commits to contribute to the International Civil Aviation Organisation (ICAO) Net Zero 2050 target by attaining Airport Carbon Accreditation (ACA) level 1 and 2 by 2025. This will require the Corporation to invest in Carbon Emission Reduction Projects bordering on management of energy, waste, and its emissions. The Corporation is also promoting implementation of Free Routing Airspace (FRA) in Zambian airspace, encouraging airlines to fly as direct as possible and thus reduce on the carbon emissions.

Whilst the airports play a role in inducing climate change, they are also prone to suffering climate change related risks shocks which which may impact on our operations, infrastructure, and business continuity. Increased intensity of storms, high winds and extreme temperatures introduce risks of infrastructure damages, increased flight delays/temporary airport closures, blown off ground equipment as well as increased demand of energy for cooling purposes. High temperatures are also expected to affect the take-off run for airports requiring the Corporation to expand on some of the runways which would be deemed short. High temperatures may also lead to equipment damage because of overheating as well as cause damage to pavements and other infrastructure.

ZACL is implementing Business Continuity Management System which will address Climate change events likely to cause business disruptions whilst other risks are addressed through the Enterprise Risk Management system.

Changes in biodiversity (wildlife and ecosystems increase the presence wildlife hazard which is already considered a high risk for the Corporation. The Corporation has in the recent years experienced an increase in wildlife presence and strike incidences around the airports with a possible linkage to climate change.

30. Events after the reporting date

There were no significant events after the reporting date requiring disclosure or adjustment to the financial statements.

Appendix 1:

Detailed Statements of Comprehensive Income

	2022 K	2021 K
Revenue	617,966,177	396,936,610
Other income		
Capital grants amortised	18,184,899	10,433,154
Revenue grant received-GRZ	10,941,341	10,379,138
Sundry income	6,546,778	4,517,894
Total other income	**35,673,018**	**25,330,186**
Finance costs		
Interest on loans	(32,485,070)	(34,384,401)
Interest income on short term investments	2,455,859	2,823,243
Net exchange (loss)/gain	11,936,671	(8,653,679)
Net finance costs	**(18,092,540)**	**(40,214,837)**
Less:		
Expenditure		
Depreciation	(237,707,784)	(237,863,763)
Employee costs		
Salaries and wages	(298,536,505)	(249,943,886)
Other staff costs	(43,998,944)	(54,871,101)
Directors social tours	-	(487,138)
	(342,535,449)	**(305,302,125)**
Other operating expenses (Appendix 2)	(144,836,472)	(145,597,013)
Loss before tax	(89,532,325)	(306,710,942
Income tax (charge)/credit	(11,827,158)	(22,245,185)
Loss after tax	**(101,359,483**	**(328,956,127)**

Appendix 2:

Other Operating Expenses

	2022 K	2021 K
Aviation security	11,122,114	1,167,636
Books and periodicals	830,942	319,582
Cargo and mail	5,126,822	5,968,134
Cleaning expenses	2,709,762	2,912,648
Cleaning services	7,397,823	1,839,388
Consultancy	2,391,873	2,333,382
Directors` fees and expenses	674,181	1,632,258
Electricity	15,092,633	5,256,877
External audit	916,455	546,337
Firefighting foam	1,360,485	427,655
Hire of transport	11,563,759	9,535,614
Insurance	5,183,092	2,085,404
Land rates	5,938,367	15,168,969
Legal fees	258,355	5,854
Motor vehicle expenses	6,184,959	5,279,747
Office expenses	436,431	306,437
Postage	292,149	1,072,414
Printing and stationary	6,568,139	3,216,727
Protective clothing	960,581	237,140
Repairs and maintenance	23,465,026	13,642,873
Security expenses	480,513	2,345,321
SITA charges	22,343,150	14,347,028
Staff uniforms	502,588	-
Subscriptions-Corporation	965,064	1,288,551
Telephone and internet	2,996,455	2,562,030
Travel expenses – local	2,772,080	2,962,943
Travel expenses-foreign	2,135,690	27,431
Water	355,639	129,244
Balance carried forward	**141,025,127**	**96,617,624**

Appendix 2:

Other Operating Expenses (Continued)

	2022 K	2021 K
Balance Brought forward	141,025,127	96,617,624
Aerodrome's support	3,330,733	2,998,158
Bad debts provision	(16,638,505)	26,883,338
Bank charges	1,455,434	6,789,238
Beverages	372,943	495,110
Corporate Promotion & Advertising	1,436,218	664,577
Donations	75,000	7,568
Entertainment	105,915	118,756
Greenfield expenses	1,705	43,788
IATA charges	8,392,625	5,927,359
IT Expenses	1,592,636	122,978
Licensing	745,618	1,793,397
Marketing	490	11,660
Regulatory expenses	2,672,693	2,929,749
Mulungushi VIP	3,323	39,138
Sundry expenses	47,062	356,523
Tender Evaluation Expenses	170,700	132,239
VAT expenses	(110,245)	(334,187)
CANSO	157,000	-
Total operating expenses	**144,836,472**	**145,597,013**

Zambia AIRPORTS Corporation Limited

KENNETH KAUNDA INTERNATIONAL AIRPORT,
P.O. Box 30175, Lusaka,
Tel: +260 211 271 313 | +260 211 271 044,
Email: zacl@zacl.aero

SIMON MWANSA KAPWEPWE INTERNATIONAL AIRPORT,
P.O. Box 70095, Ndola,
Tel: +260 212 614 226 | +260 212 611 193-5,
Fax: +260 212 612 635,
Email: zaclndapm@zacl.aero

HARRY MWAANGA NKUMBULA INTERNATIONAL AIRPORT,
P.O.Box 60199, Linvingstone,
Tel: +260 213 321 153,
Fax: +260 213 324 235,
Email: zaclliv@zacl.aero

MFUWE INTERNATIONAL AIRPORT,
P.O. Box 2, Mfuwe,
Tel: +260 216 245 006,
Fax: +260 216 245 029,
Email: zaclmf@zacl.aero