VISION STATEMENT

To be the model social security institution in Africa.

MISSION STATEMENT

To prudently administer and be custodian of a viable social security scheme that guarantees income security to its members.

CORE VALUES

Responsibility

We are committed to be responsible custodians of the funds entrusted with us.

Customer Service

We are committed to the provision of service with excellence.

Integrity

We demand of ourselves the highest ethical standards in all our dealings with our stakeholders and the public.

Professionalism

We are guided by the highest professional standards in the conduct of our business.

Corporate Citizenship

We are committed to good corporate citizenship always working in the best interest of our country.

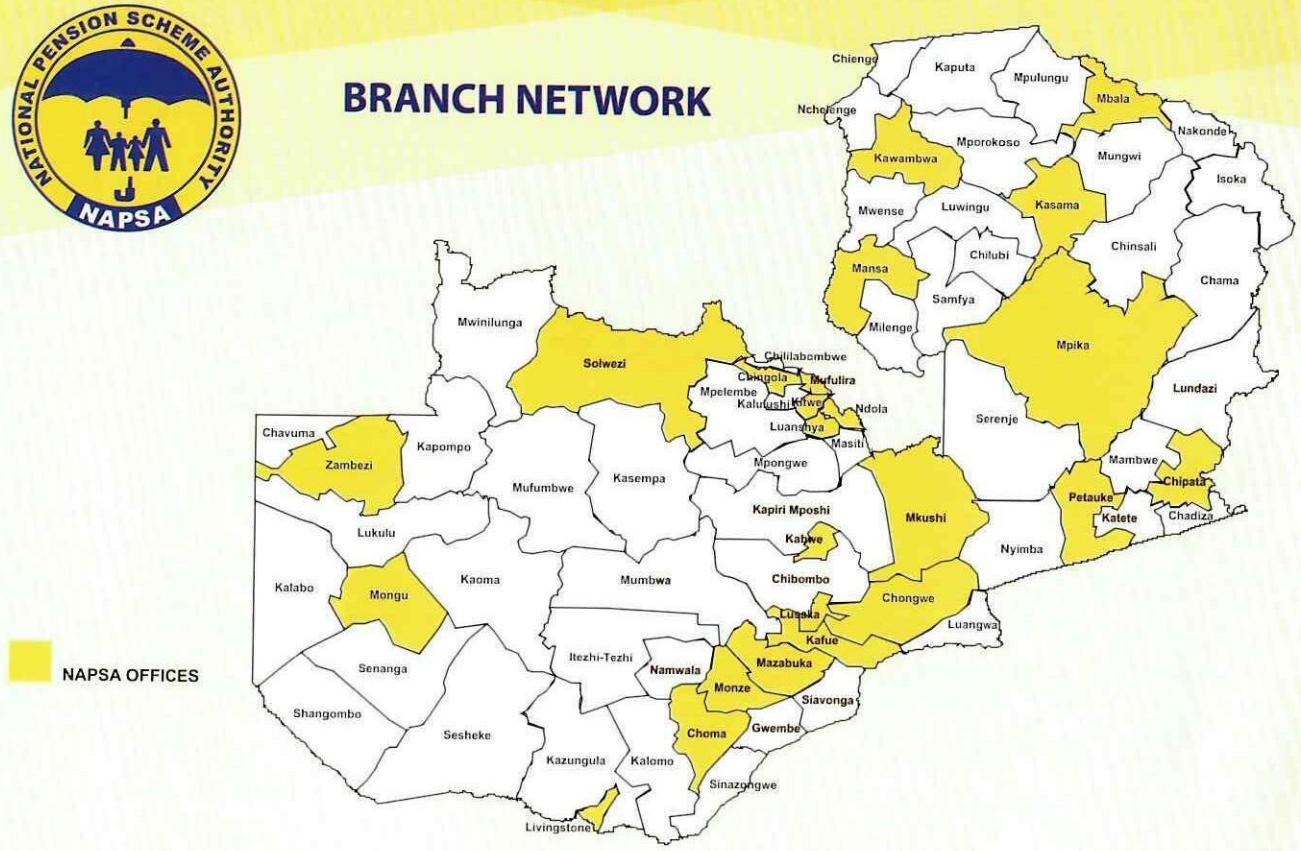
Leadership

We are committed to fostering a sound working environment in which all employees can develop and deliver their fullest potential through diligent leadership.

Corporate Citizenship

We are committed to good corporate citizenship always working in the best interest of our country.

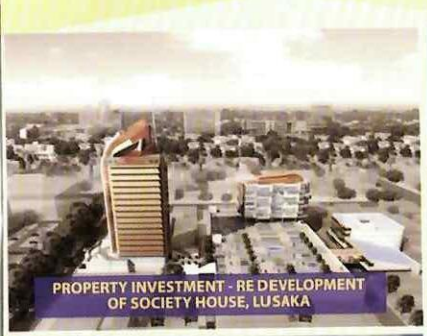
BRANCH NETWORK



NAPSA OFFICES

CHINGOLA Clen Building P O Box10324 Tel: +260-2-311823 / 312839	**CHIPATA** Provident House P O Box 510260 Tel: +260-6-223427/ 221003	**CHOMA** Provident House P O Box 267 Tel: +260-3-220786	**KAWAMBWA** Provident House P O Box 730718 Tel: +260-2-960053	**KAFUE** P O Box 360041 Tel: +260-1-311555
KABWE Chitanda House P O Box 80433 Tel: +260-5-221379/ 5-223129	**LUANSHYA** Nollies Building Buntungwa Avenue P O Box 90026 Tel: +260-2-512252	**KITWE** Provident House Matuka Avenue P O Box 223036 Tel: +260-2-224009/ 223361	**KASAMA** Compensation House P O Box 410125 Tel: +260-4-221324	**MAZABUKA** Provident House P O Box 670075 Tel: +260 -3-230212/ 230345
LUSAKA Southern Region Lusaka House Tel: +260 211 226874/5	**LIVINGSTONE** Mosi Oa Tunya House P O Box 60573 Tel: +260-3-322145/ 321444	**MONGU** Provident House P O Box 910176 Tel: +260-7 221128/ 221415	**MBALA** Lake Press House P O Box 420289 Tel: +260-4-450457	**MANSA** Provident House P O Box 710190 Tel:+260-2-821236
MUFULIRA P O Box 40099 Tel: +260-2411078/411654	**MONZE** Provident House Tel: +260-3250533/250222	**MKUSHI** Provident House P O Box 840140 Tel: +260-5-362091/ 3-250222	**ZAMBEZI** P O Box 150151 Tel: +260-8-371105	**NDOLA** Kingstone Building P O Box 72035 Tel: +260-2-610849
MPIKA Provident House P O Box 450092 Tel: +260-4-370370	**SOLWEZI** Provident Office P O Box 110065 Tel: +260-8-821576/821342/821180	**PETAUKE** Provident House P O Box 560172 Tel: +260-6-371123 /371121	**CHISAMBA** Fringila P O Box 39 Tel: +260-1-843267	**CHONGWE** NAPSA Chongwe Plot #322 Chongwe Civic Centre Tel: +260-1-620134
REGIONAL OFFICE – NORTH Kalulushi Housing Complex P O Box 22929 Tel:+260-1-251406	**REGIONAL OFFICE - SOUTH** Ibex Hill Office P O Box 36342 Tel: +260-211-843268	***Corporate Affairs Unit*** ***Tel: +260 211 221 677 / 228 054 - 8*** ***LEVY BUSINESS PARK.*** ***Email: info@napsa.co.zm.***		

NAPSA Pictorial


PROPERTY INVESTMENT - RE DEVELOPMENT OF SOCIETY HOUSE, LUSAKA


PROPERTY INVESTMENT - NORTH GATE HOUSING PROJECT, LUSAKA

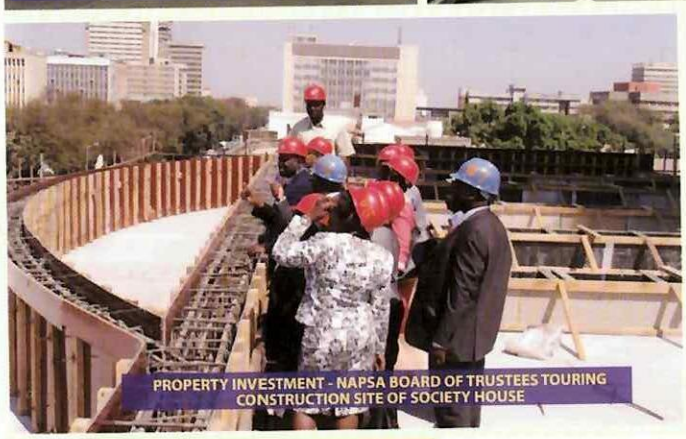

PROPERTY INVESTMENT - IBEX HOUSING PROJECT, LUSAKA


PROPERTY INVESTMENT - KALULUSHI HOUSING PROJECT, KALULUSHI


PROPERTY INVESTMENT - STAY EASY HOTEL, LUSAKA



NAPSA HOUSE - HEAD OFFICE, LUSAKA


PROPERTY INVESTMENT - NAPSA BOARD OF TRUSTEES TOURING CONSTRUCTION SITE OF SOCIETY HOUSE

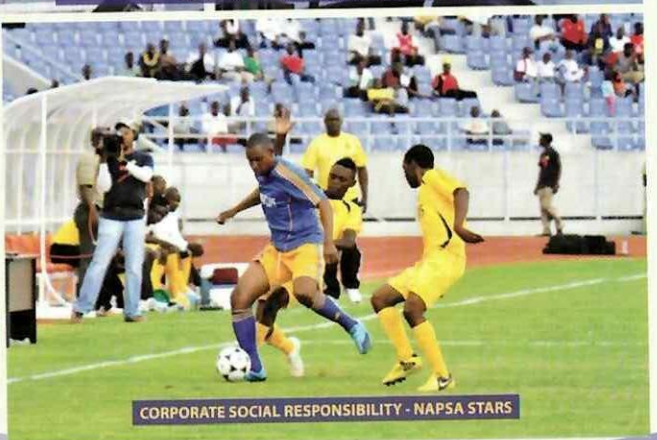

CUSTOMER RELATIONSHIP


NAPSA AWARENESS CAMPAIGN - OPEN FORUM


SERVICE DELIVERY THROUGH TECHNOLOGY


CORPORATE SOCIAL RESPONSIBILITY - DONATION OF INCUBATORS TO ARTHUR DAVISON HOSPITAL IN NDOLA


OFFICIAL OPENING OF NAPSA HOUSE - HEAD OFFICE


CORPORATE SOCIAL RESPONSIBILITY - NAPSA STARS


DONATION TO CHIBOMBO CLINIC


HISTORY - ZNPF RIDGEWAY OFFICES, LUSAKA

NATIONAL PENSION SCHEME AUTHORITY

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2014

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NATIONAL PENSION SCHEME AUTHORITY

Report of The Board of Trustees for the year ended 31 December 2014

Board of Trustees



Mr. Teddy D. Mulonga
Chairperson Appointed
1 April, 2014



Mr. Guy Phiri
(Employers' representative)
Vice-Chairperson



Mrs. Michelo Silungwe
(Zambia Association
of Pension Funds
representative)
Member



Mr. Trevor Kaunda
(Ministry of Labour and
Social Security) (Government
representative) Member



Mr. Chishimba Brian Yumbe
(Bank of Zambia
representative) Member



Ms. Monde F. Sitwala
(Ministry of Finance)
(Government
representative) Member



Mr. Andrew Chisala
(Employers' representative)
Member



Mr. Joseph Mwansa Chikolwa Chairperson
Retired 1 April, 2014
Reappointed as a member



Mrs. Lusa Pellama Mulanda
(Workers' representative)
Member



Mr. Peter B. Chupa
(Workers' representative)
Member

Senior Management



Mr. Charles Mpundu
Director General



Mrs. Kapambwe Doreen Chiwele
Director Finance



Mrs. Lydia S. Chilumba
Authority Secretary Appointed
1 October, 2013



Mr. Yollard Kachinda
Director Contributions & Benefits



Mrs. Chishala K. Tembo
Director Projects



Mrs. Betty C. Meleki
Director Human Resource
& Administration



Mr. David Chewe
Director Investments
Appointed 12 August, 2013

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS (CONTINUED)

PROFESSIONAL ADVISORS

LEGAL ADVISORS:

Legal Counsel
National Pension Scheme Authority
Levy Business Park
P.O Box 51275
Lusaka

AUDITORS:

Deloitte & Touche
Abacus Square
Plot No. 2374/B
Thabo Mbeki Road
P.O Box 30030
Lusaka

ACTUARIES:

Government Actuary's Department
Finlaison House
15 – 17 Furnival Street
London EC4A 1AB

BANKERS:

Zambia National Commercial Bank Plc
Private Bag E119
Lusaka

Citibank Zambia Limited
P.O Box 30037
Lusaka

Barclays Bank Zambia Plc
Private Bag E308
Lusaka

Standard Chartered Bank Zambia Plc
P.O. Box 32238
Lusaka

Stanbic Bank Zambia Limited
P.O Box 31955
Lusaka

HEAD OFFICE:

Levy Business Park
P.O Box 51275
Lusaka

REPORT OF THE BOARD OF TRUSTEES

The Trustees of the National Pension Scheme Authority present their report for the year ended 31 December 2014, together with the audited Financial Statements.

1.0 Introduction

1.1 Mandate

The National Pension Scheme Authority ("NAPSA" or "The Authority") was established by the National Pension Scheme Act No. 40 of 1996 ("The Act"), as a body corporate with perpetual succession and a common seal, and became operational in February 2000.

Under The Act, NAPSA administers a defined benefit scheme ("The Scheme") into which is paid all contributions authorised under The Act, and out of which all payments authorised under The Act are met.

NAPSA also controls and manages the assets and liabilities of members who contributed to a defined contribution plan previously established under the now repealed Zambia National Provident Fund ("ZNPF").

1.2 Trustees

Under the provisions of The Act, the members of the Authority are the Trustees of The Scheme and are appointed by the line Minister in accordance with the provisions of The Act. Subject to these provisions, a Trustee shall hold office for a period of three years from the date of appointment and may be re-appointed for a like period. The Trustees who held office in 2014 are listed on page 1.

The Act requires the Authority to prudentially manage The Scheme so as to ensure that at all times it is in a state of actuarial correctness, financially sustainable, fair in its benefit distribution and affordable.

In accordance with prudential principles therefore, the Board of Trustees assume overall responsibility for internal controls, risk management, the maintenance of adequate accounting records and the safeguard of the scheme assets, as outlined in the Statement of Responsibility on page 15.

Under the provisions of The Act, the Trustees are required to meet for the transaction of business at least once in every three months at such places and at such times as the Chairperson may determine. In 2014, the Trustees met at least once in each quarter.

2 Operational Highlights for the year 2014

2.1 Role in the National economy

The Authority continued to be a major player in the financial and capital markets, as in prior years. Further, the Authority invested all its funds with locally based institutions.

2.2 Pension Scheme

2.2.1 The Authority's net assets available for benefits at 31 December 2014 increased overall by K2.3 billion, from K8 billion at 31 December 2013 to K10.3 billion at 31 December 2014. The Authority therefore recorded overall positive performance of 2% above budget. The positive performance in 2014 is mainly attributable to:

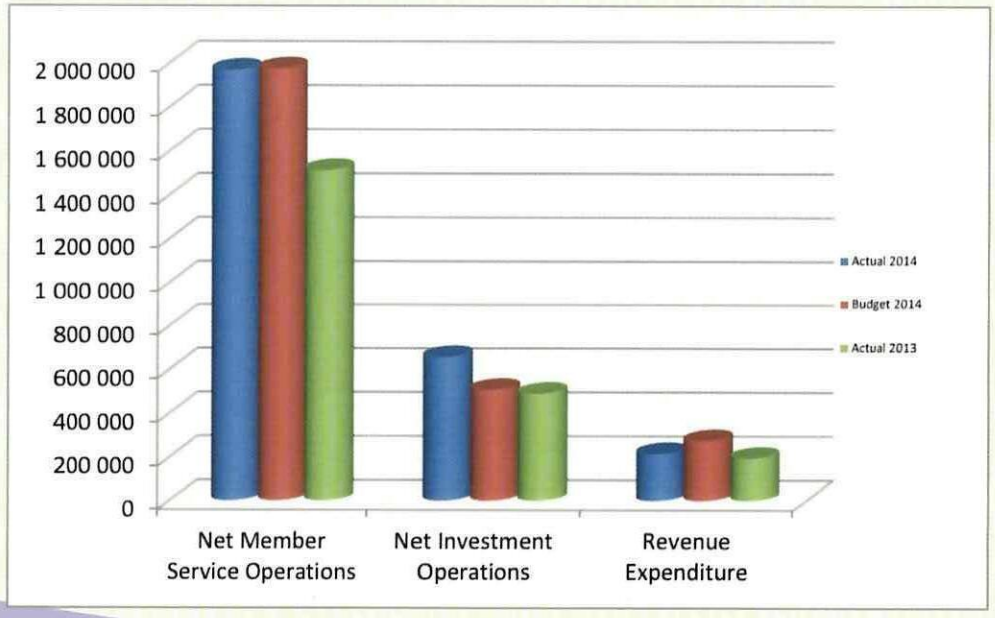
i. Positive net performance on investments, at 24% above budget and 34% above the 2013 year end results;

ii. Control on administrative expenditure, which was 22% below budget and 10% above 2013.

iii. Performance on member service operations, was just at budget and 30% above 2013 results. This also compared favourably with the National Average Earnings figure of 18% for 2014.

The overall performance is highlighted in the graph below:

GRAPH 1: OVERALL PERFORMANCE (K'000)



2 Operational Highlights for the year 2014 (Continued)

2.3 Member Service Operations

2.3.1 The Scheme collected K2.3 billion in contributions, an annual increase of 28% from the 2013 figure of K1.8 billion. The increase is a reflection of a number of factors, such as growth in the national economy, increase in the National Average Earnings, and increase in the contribution ceiling. The contribution rate remained at 10 % of the employee's gross wages up to the monthly ceiling of K1,592.40, shared equally at 5% each between the employer and the employee.

2.3.2 The five-year trend in both contributions and benefits paid are highlighted below in Tables 1 and 2.

Table 1:

Contributions trend	2014	2013	2012	2011	2010
Number of active employers	15 552	14 669	13 972	13 000	12 227
Number of Active members	672 320	620 132	596 244	546 693	499 338
Average collection per month (Kwacha Millions)	191	146	115.5	85.7	67.2

Table 2:

Benefits trend	2014	2013	2012	2011	2010
Funeral grant per claim (K)	7 921	6 696	5 870	5 383	4 347
Minimum Pension per member (K)	792	670	587	538	435
Highest Pension per member (K)	3 419	2 891	2 534	2 304	1 877
Average monthly pension per member (K)	1 038	868	758	688	556
Highest Lump sum per claim (K)	222 436	185 983	155 850	99 109	94 519
Number of pensioners	11 723	10 083	7 932	5 970	4 279

2 Operational Highlights for the year 2014 (Continued)

2.4 Investments

2.4.1 The Scheme recorded overall net positive performance of K568 million on investment operations, a positive variance of 33% compared to 2013. The bulk of income was from Treasury operations, mainly net interest income which was K811 million in 2014, a positive variance of K289 million (55%) in comparison to 2013. The Scheme's favorable performance was mainly due to a number of factors including the following:

i. Fresh funds of K1.9 billion, in excess of the budget figure of K1.7 billion;
ii. Increased investment in higher yielding Government bonds.
iii. Increased investment in fixed term deposits.
iv. Improved yield on short term deposits due to high interest rates.
v. Favourable average interest rate on Government securities of about 18% in comparison to the budgeted internal rate of return of inflation plus 2%.
vi. Deferment of some new construction projects for various reasons, and related funds being re-directed to treasury activities.

2.4.2 The Investment portfolio held at the end of the year 2014 is shown in Table 3 below.

Table 3: Investment Portfolio

(Kwacha Millions)

Net Investments	2014 Net Investments	2014 % of total portfolio	2013 Net Investments	2013 % of total portfolio
Government securities	3 690	38%	3 441	44%
Other securities	2 864	29%	1 760	22%
Shares in listed corporations	1 405	14%	693	9%
Investment properties	1 046	11%	1 015	13%
Housing inventory	390	4%	567	7%
Loans and advances	445	5%	363	5%
Total	9 840	100%	7 840	100%

2.4.3 The Authority undertook initial revaluation of recently completed projects, as at 31 December, 2014. Net impairment losses were recorded on the projects, at K48.8 million on housing inventory and K33.2 million on investment property. This negative performance necessitates a need to review strategy with regard to future projects.

2 Operational Highlights for the year 2014 (Continued)

2.4 Investments (Continued)

2.4.4 The notable projects at various stages of completion by the Authority, are included in appropriate categories under Table 3. The costs incurred as at 31 December, 2014 are highlighted under Table 4 below. Nyumba Yanga and Kalulushi projects were completed by year-end, subsequently fair valued and are carried at fair value in the 2014 financial statements.

Table 4:
(Kwacha Millions)

Projects in progress	Type	2014	2013
Re-development of Society House	Hotel, retail and offices	444	359
Nyumba Yanga Housing	Housing units	189	183
Kalulushi Housing	Housing units	278	272
North Gate Gardens Housing	Housing units	151	131
Total		**1062**	**945**

2.5 Provident Fund

2.5.1 The Provident Fund is a depleting scheme with no inflow of fresh funds from contributions. As a consequence, the Fund has in recent years recorded a decrease in net assets held, as well as liquidity challenges. This has necessitated in interventions by the Pension Scheme to assist the Fund meet its obligations such as benefit payments to members who contributed to the now repealed ZNPF. As at 31 December 2014, the net amount owed to the Pension Scheme was K194 million. This amount was offset as partial payment towards acquisition of properties transferred post year end.

2.5.2 The Fund recorded an overall decrease of K116 million in Net Assets. A major factor was that the Fund paid benefits of K129 million in 2014. This was 70% above the annual budget of K76 million, and 90% above the 2013 total payment of K68 million. The increase in benefits paid is attributable to increase in the number of claimants, arising from the various sensitisation and publicity initiatives by the Authority. The Net Assets Available For Benefits decreased from K194.7 million at 31 December 2013 to K78.7 million at 31 December, 2014.

2.5.3 The Fund recorded rental income of K16 million, which accounted for 58% of total income. The Fund did not record interest income as its active financial assets were liquidated in 2013 in order to settle some outstanding obligations and member liabilities. At 31 December, 2014 the investment portfolio stood as shown under Table 5 on page 9:

2.5.4 The Fund recorded K14.6 million in management expenses, 45% higher than the 2013 figure of 10 million and within the 2014 budget amount of K33 million.

2 Operational Highlights for the year 2014 (Continued)

2.5 Provident Fund (Continued)

Table 5:

(Kwacha Millions)

Net Investments	2014 Net Investments	2014 % of total portfolio	2013 Net Investments	2013 % of total portfolio
Investment properties	**298**	**100%**	298	100%

3.0 Staff matters

3.1 The approved staff establishment as at 31 December, 2014 was as shown in Table 6 below.

Table 6 (Staff establishment)

	2014	2013
Approved staff establishment	**500**	397
Actual numbers		
Permanent and pensionable	**354**	374
Directors	**7**	7
Contract staff	**98**	37
Total	**459**	418

3.2 The Authority undertook various training interventions for members of staff, as shown in Table 7 below:

Table 7 (Training Interventions)

Course Title	Training Provider	No. of Participants	Location
Customer Care	ECASSA	57	International
Job analysis and descriptions; Job evaluation and grades	Peniel Consulting	4	International
Best practice in Inspection Techniques	ECASSA	3	International
Certified System Information Auditor	ISACA	2	International
Annual Audit Risk and Governance conference	MIS Training Institute	2	International
Budget Execution through strategic financial management (modern trends in Budgeting techniques)	Crown Agents	2	International

3.0 Staff matters (Continued)

3.2 The Authority undertook various training interventions for members of staff, as shown in Table 7 below:

Training Interventions - Continued

Course Title	Training Provider	No. of Participants	Provider
Social Security Academy (Summer School)	ILO	4	International
Developing effective Performance Management,	RIPA	2	International
perspective	RIPA	1	International
Data integrity for optimum performance	ECASSA	3	International
ISSA conference for Social Security	ISSA	3	International
Certified Information Systems Security Manager	ISACA	2	On-line
Induction program	In-house	71	Local
Sunsystem (Vision Excel)	Ultimate Technology	16	Local
Enterprise Risk Management	Ultimate Technology	2	Local
Benefit payments	In-house	19	Local
Practical advanced Prosecutors' course	ZIALE	21	Local
Document management	In-house	77	Local
Benefits system and processing	In-house	3	Local
Report writing skills	ZCAS	10	Local
Fraud detection and money laundering	ZCAS	20	Local
Trainer of Trainers	ZCAS	10	Local
Team building	ZCAS	17	Local
Financial modelling in Excel	ZCAS	16	Local

4.0 Corporate Social responsibility

4.1 The Authority is aware of, and gives consideration to, its role as a corporate citizen. The Authority therefore regularly supports several community programmes through active participation and financial assistance. Cash funding or direct assistance is provided to select projects. The Authority also provides sponsorship to major sporting events and major cultural and traditional ceremonies.

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

4.0 Corporate Social responsibility (Continued)

In the year 2014, the Authority embarked upon drafting a draft Corporate Social Responsibility (CSR) policy. The document was finalised and approved by the Board post year-end.

5.0 Statement on Corporate Governance

5.1 NAPSA subscribes to the tenets of good corporate governance. The Authority has in place various policies, structures and procedures to ensure that the decision making process, governance and administration of the institution are in accordance with good corporate governance practices. Post year-end, the Authority has established an Integrity Committee.

5.2 In the year under review, the Board of Trustees met fourteen times and also undertook local tours of the Authority's projects.

5.3 The Board's focus in the year was largely as follows:

i. the Authority's strategic direction;
ii. corporate governance;
iii. financial arrangements;
iv. key investment strategies and performance;
v. Scheme performance; and
vi. guidance to the executive team.

5.4 The proceedings of the meetings were duly recorded, and minutes were signed.

5.5 Pursuant to paragraph 7 of the First Schedule of the Act which allows the Authority to establish and delegate some of its functions to committees, and in keeping with corporate governance best practice, the Authority has established the Committees as seen here-under. Further, in order to benefit from persons with relevant skills and experience, some non-Authority Members have been co-opted into the Committees, as recommended under good corporate governance practice.

6.0 Committees

6.1 Audit, Risk and Compliance Committee

6.1.1 The Audit Committee is composed of the following Members:

i. Mr. Chishimba B. Yumbe (Chairperson)
ii. Ms. Monde F. Sitwala
iii. Ms. Susan Wambulawae*
iv. Mr. Ronald Chibesakunda*
v. Mr Anthony Kasolo*

6.1.2 In the year 2014, the Committee met six times to consider audit, risk and compliance matters and make appropriate recommendations to the Authority.

6.0 Committees (Continued)

6.2 Finance & Investments Committee

6.2.1 The Finance & Investments Committee is composed of the following Members:

i. Mr. Guy Phiri (Chairperson)
ii. Mr. Trevor Kaunda
iii. Mr. Joseph Chikolwa
iv. Mr. Katema Mutale*
v. Ms. Kutemba Konga*

6.2.2 In the year 2014, the Committee met eleven times to review financial performance, consider investment proposals, make investment decisions and propose appropriate recommendations to the Authority.

6.3 Technical Committee

6.3.1 The Technical Committee is composed of the following Members:

i. Mrs. Michelo Silungwe (Chairperson)
ii. Mr. Trevor Kaunda
iii. Dr. Velepi Mtonga*
iv. Mr. Chris Kampamba*
v. Mrs. Christabel Banda*

6.3.2 In the year 2014, the Committee met five times to consider matters relating to member service operations and make appropriate recommendations to the Authority.

6.4 Staff Affairs Committee

6.4.1 The Staff Affairs Committee is composed of the following members:

i. Mr. Andrew Chisala (Chairperson)
ii. Mr. Peter Bwalya Chupa
iii. Mrs. Lusa Pellama Mulanda
iv. Ms. Penelope Mapoma*
v. Ms. Namucana Musiwa*

6.4.2 In the year 2014, the Committee met eight times to consider matters pertaining to staff and make appropriate recommendations to the Authority.

***Denotes independent Committee Members who are not members of the Authority**

6.0 Committees (Continued)

6.5 Attendance of meetings

6.5.1 Attendance of meetings by Trustees and Committee members is shown in the Table below:

Trustees and Committee Members: Attendance of Scheduled Meetings

	Board meetings		Committee meetings		Note
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	
Mr. Teddy D. Mulonga	14	13			
Finance and Investments Committee					
Mr. Guy Phiri	14	13	11	11	
Mr. Trevor Kaunda	14	13	11	11	(i)
Mr. Joseph Chikolwa	14	14	11	6	(ii)
Mr. Katema Mutale	*		11	7	
Ms. Kutemba Konga	*		11	9	
Audit Committee					
Mr. Chishimba B Yumbe	14	12	6	6	
Ms. Monde F. Sitwala	14	12	6	3	
Ms. Susan Wambulawae	*		6	6	
Mr. Ronald Chibesakunda	*		6	5	
Mr. Anthony Kasolo	*		6	3	(iii)
Staff Committee					
Mr. Andrew Chisala	14	11	8	8	
Mr. Peter Bwalya Chupa	14	14	8	8	
Ms. Lusa A Pellama Mulanda	14	10	8	7	
Ms. Penelope Mapoma	*		8	3	
Ms. Namucana Musiwa	*		8	7	(iii)
Technical Committee					
Ms. Michello Silungwe	14	11	5	4	
Mr. Trevor Kaunda			5	4	
Dr. Velepi Mtonga	*	*	5	4	(iv)
Mr. Chris Kampamba	*	*	5	4	(iii)
Mrs. Christabel Banda	*	*	5	4	(iii)

Notes

* Not applicable.

i. One meeting attended by alternate.

ii. Eligible to attend Committee meetings after June 2014.

iii. Appointed end of Quarter 1 of 2014.

iv. Two meetings attended by alternate.

7.0 Senior management

7.1 The Board of Trustees has within the provisions of The Act delegated the day-to-day administration of the Scheme to the Director General, who is the Chief Executive Officer of the Authority.

7.2 Senior Management comprised the Director General, supported by five (5) Directors who each head a Directorate, and the Authority Secretary.

7.3 There is open communication between the Board of Trustees and Senior Management. The Board and its Committees are supplied with full information prior to each meeting to enable them discharge their responsibilities.

7.4 The Board understands the relationship between itself and the members of NAPSA. It acknowledges that its role is to promote the interest of the members and recognises that it is accountable to the members for the performance of the Pension Scheme.

Signed on behalf of the Trustees by:

TRUSTEE **TRUSTEE**

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

Part II of the First Schedule of the National Pension Scheme Act, No. 40 of 1996 requires the Trustees to prepare:

- an audited balance sheet;
- an audited statement of income and expenditure; and
- such other information as the Minister may require.

In preparing the financial statements the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements that are reasonable and prudent; and
- follow Generally Accepted Accounting Principles.

The Trustees are responsible for ensuring that the Authority keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the annual financial statements and their report is shown on pages 16 and 17.

The Trustees are also responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Trustees to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

In the opinion of the Trustees the financial statements are drawn up so as to present fairly the financial activities of the Authority for the year ended 31 December 2014 and its financial position as at that date, and have been prepared in accordance with International Financial Reporting Standards and in the manner required by the National Pension Scheme Act, No. 40 of 1996.

Signed on behalf of the Trustees by:

TRUSTEE

TRUSTEE

Deloitte.

PO Box 30030
Lusaka
Zambia

Deloitte & Touche
Abacus Square
Plot No. 2374/B
Thabo Mbeki Road
Lusaka, Zambia

Tel: +(260) 211 228677/8/9
Fax: +(260) 211 226915
www.deloitte.co.zm

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
National Pension Scheme Authority

We have audited the financial statements of National Pension Scheme Authority, set out on pages 18 to 60, which comprise the statement of net assets available for benefits as at 31 December 2014, and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the National Pension Scheme Act No. 40 of 1996, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Pension Scheme Authority as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the National Pension Scheme Act No. 40 of 1996.

Deloitte & Touche

DELOITTE & TOUCHE

C. CHUNGU (M/PC0000565)
PARTNER

DATE: 14 MAY 2015

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended 31 December 2014

Kwacha

	NOTES	Pension Scheme 2014	Pension Scheme 2013	Provident Fund 2014	Provident Fund 2013
Net assets available at beginning of the year		**7 955 975 019**	6 213 177 002	**194 684 580**	109 666 083
Member service operations:					
Contributions receivable from members		**2 290 190 767**	1 758 658 393	**-**	-
Pension claims and withdrawals	6	**(161 051 770)**	(120 765 222)	**(129 446 225)**	(67 870 963)
Normal retirement pensions	7	**(155 260 366)**	(120 079 783)	**-**	-
Funeral grants		**(7 898 225)**	(6 824 803)	**-**	-
Maternity		**-**	-	**(5 424)**	(181 167)
		1 965 980 406	1 510 988 585	**(129 451 649)**	(68 052 130)
Investment operations:					
Investment income	10	**992 554 420**	633 426 359	**30 654 537**	14 646 716
Changes in fair value of:					
Government securities	13	**(373 033 635)**	(285 839 370)	**-**	-
Listed securities	15	**133 243 617**	185 660 894	**-**	37 174 420
Investment property	20	**(33 158 588)**	-	**-**	114 374 184
Impairment loss on housing inventory	19	**(48 806 961)**	-	**-**	-
Provision for bad debts net of recoveries	18	**(7 001 745)**	(28 264 702)	**(2 487 127)**	(2 717 861)
Handling fees		**(7 359 063)**	(13 699 520)	**-**	-
Medical levy		**-**	(1 102 526)	**-**	(141)
Net exchange gains (losses)		**(392 456)**	379 397	**-**	(322 293)
		656 045 589	490 560 532	**28 167 410**	163 155 025
Management expenses:					
Employee benefit expenses	11	**(143 587 383)**	(128 654 883)	**-**	-
Administration expenses	12	**(64 743 820)**	(61 749 000)	**(14 658 264)**	(10 084 398)
Depreciation expense	21	**(8 938 295)**	(6 014 603)	**-**	-
Gain on disposal of equipment		**566 490**	265 014	**-**	-
		(216 703 008)	(196 153 472)	**(14 658 264)**	(10 084 398)
Income tax expense	8	**(88 516 073)**	(62 597 627)	**-**	-
Increase (decrease) in net assets		**2 316 806 914**	1 742 798 017	**(115 942 503)**	85 018 497
Net assets available at end of the year		**10 272 781 933**	7 955 975 019	**78 742 077**	194 684 580

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
for the year ended 31 December 2014

Kwacha

	NOTES	Pension Scheme 2014	Pension Scheme 2013	Provident Fund 2014	Provident Fund 2013
NET ASSETS		**10 272 781 933**	7 955 975 019	**78 742 077**	194 684 580
Represented by:					
ASSETS					
Investments					
Government securities	13	**3 690 246 074**	3 441 317 693	**-**	-
Other securities	14	**2 863 695 313**	1 760 069 911	**-**	-
Equity Investments	15	**1 405 083 501**	692 919 267	**-**	45 050
Loans and advances	16	**445 184 900**	363 341 144	**-**	23 744
Housing inventory	19	**390 061 983**	567 021 633	**-**	-
Investment properties	20	**1 046 108 720**	1 015 489 577	**298 125 028**	298 125 028
		9 840 380 491	7 840 159 225	**298 125 028**	298 193 822
Other assets					
Bank and cash balances		**185 040 548**	87 589 309	**17 235 553**	60 254 974
Contributions receivables	26	**179 786 954**	97 897 173	**-**	-
Employee receivables	17	**3 437 033**	4 689 019	**-**	-
Other receivables	18	**35 629 127**	27 018 787	**1 839 227**	424 051
Consumable inventory	19	**741 259**	1 051 739	**-**	-
Current account with ZNPF		**193 753 023**	94 407 111	**-**	-
Property and equipment	21	**43 497 225**	24 166 328	**-**	-
		641 885 169	336 819 466	**19 074 780**	60 679 025
TOTAL ASSETS		**10 482 265 660**	8 176 978 691	**317 199 808**	358 872 847
LIABILITIES					
Current account with NAPSA		**-**	-	**(193 753 023)**	(94 407 111)
Income tax liabilities	8	**(31 566 462)**	(25 450 967)	**-**	-
Other payables and accrued expenses	24	**(157 849 318)**	(167 641 974)	**(15 207 731)**	(24 381 156)
Deferred liabilities	25	**(6 799 398)**	(2 889 031)	**-**	-
Provisions for claims payable	23	**(13 268 549)**	(25 021 700)	**(29 496 977)**	(45 400 000)
TOTAL LIABILITIES		**(209 483 727)**	(221 003 672)	**(238 457 731)**	(164 188 267)
NET ASSETS		**10 272 781 933**	7 955 975 019	**78 742 077**	194 684 580

The responsibilities of the Trustees with regard to the preparation of the financial statements are set out on page 15. The financial statements on pages 18 to 60 were approved by the Board of Trustees on 30 April 2015 and were signed on its behalf by:

) TRUSTEES

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

Kwacha

	NOTES	Pension Scheme 2014	Pension Scheme 2013	Provident Fund 2014	Provident Fund 2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase (decrease) in net assets		**2 316 806 914**	1 742 798 017	**(115 942 503)**	85 018 497
Adjusted for:					
Depreciation expense	21	**8 938 295**	6 014 603	**-**	-
Income tax expense	8	**88 516 073**	62 597 627	**-**	-
Dividend income		**7 877 936**	23 123 599	**-**	-
Investment income	10	**(992 554 420)**	633 426 359	**(30 654 537)**	14 646 716
Impairment loss on receivables	18, 17	**14 099 503**	28 264 702	**2 417 440**	2 717 861
Recoveries		**(7 097 758)**	(2 390 320)		
Impairment loss on loans and advances	16	**-**	-	**68 794**	23 757
Change in fair value of investment property	20	**(33 158 588)**	-	**-**	(114 374 184)
Impairment loss on housing inventory	19	**(48 806 961)**	-	**-**	-
Change in fair of value of Government securities	13	**373 033 635**	285 839 370	**-**	-
Change in fair value of listed securities	15	**(133 243 617)**	(185 660 894)	**-**	(37 174 420)
Gain on disposal of property and equipment		**(566 490)**	(265 014)	**-**	-
		1 593 844 522	2 593 748 049	**(144 110 806)**	(49 141 773)
Movement in working capital:					
Increase in Government securities		**(621 962 016)**	(1 139 327 770)	**-**	-
Increase in other securities		**(1 103 625 402)**	(630 946 289)	**-**	-
Increase in listed securities		**(578 920 617)**	(140 874 753)	**-**	
Increase in loans and advances		**(81 843 756)**	(76 246 528)	**-**	(23 746)
Decrease (increase) in employee receivables		**1 251 986**	(911 805)	**-**	-
Increase in contribution receivables		**(81 889 781)**	(30 331 115)	**-**	-
Increase in deferred liabilities		**3 910 367**	535 224	**-**	-
Increase in other receivables		**(114 957 997)**	(23 557 806)	**(3 832 616)**	(626 545)
Decrease (increase) in inventories		**226 077 091**	(35 699 771)	**-**	-
(Decrease) increase in other payables and accruals		**(21 545 805)**	90 005 886	**74 269 464**	(5 768 153)
Cash (used in) generated from operations		**(2 373 505 930)**	(1 987 354 727)	**70 436 848**	(6 658 613)
Income tax paid	8	**(82 400 578)**	(57 364 379)	**-**	-
Net cash utilised in operations		**(862 061 986)**	(724 226 294)	**(73 673 958)**	(71 025 311)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property and equipment	21	**(28 683 781)**	(15 763 101)	**-**	-
Proceeds on disposal of property and equipment		**981 077**	2 581 884	**-**	-
Purchase for investment properties		**2 539 445**	(9 401 504)	**-**	(240 169)
Proceeds on disposal of listed securities		**-**	-	**-**	147 808 909
Dividends received		**(7 877 936)**	23 123 599	**-**	-
Investment income	10	**992 554 420**	584 180 176	**30 654 537**	578 209
Net cash generated from investing activities		**959 513 225**	594 122 558	**30 654 537**	148 387 118
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		**-**	-	**-**	(22 662 500)
Net cash (outflows) inflows		**97 451 239**	(130 103 736)	**(43 019 421)**	54 699 307
Cash and cash equivalents at beginning of the year		**87 589 309**	217 693 045	**60 254 974**	5 555 667
Cash and cash equivalents at end of the year		**185 040 548**	87 589 309	**17 235 553**	60 254 974
Comprising:					
Bank and cash balances		**185 040 548**	87 589 309	**17 235 553**	60 254 974

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

1 GENERAL INFORMATION

The National Pension Scheme Authority (the "Authority") was established by the National Pension Scheme Act No. 40 of 1996 (the "Act"). The Authority has the sole management rights and control of the National Pension Scheme. The principal activities of the Authority is to manage the National Pension Scheme and pay pension benefits to members. The Authority became operational on 1 February 2000.

The main objective of the Authority is to implement the policy relating to the National Pension Scheme as stipulated in the Act. The Authority is mandated to manage the Scheme so as to ensure that at all times it is in a state of actuarial correctness, financially sustainable, fair in its benefit distribution and is affordable.

Under the Act and its regulations, the Authority also controls and manages the assets and liabilities of members who contributed to a defined contribution plan established under the repealed Zambia National Provident Fund Act (the "ZNPF Act"). Members of the former Fund may, at their election, and on the conditions subsisting under the Act and its regulations, convert their assets to the National Pension Scheme to improve their benefits payable under the Scheme. Members who exercise this option shall receive a month's credit for every three months of contributions under the Zambia National Provident Fund.

Notwithstanding the repeal of the ZNPF Act, the Authority, as custodian, continues to pay benefits to members qualifying under the rules in the repealed ZNPF Act.

The address of Authority's registered office and principal place of business are disclosed in the financial statements on page 3.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Authority has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2014.

- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*;
- Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets;*
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting;* and
- IFRIC 21 *Levies*.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the Authority.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)(CONTINUED)

2.2 Standards in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

Pronouncement	Issued	Effective date
IFRS 9 *Financial Instrument: Disclosures*		
• Contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement.*	November 2013	Annual periods beginning on or after 1 January 2018
IFRS 15 *Revenue from Contracts with Customers*		
• Provides a single, principles based five-step model to be applied to all contracts with customers.	May 2014	Applicable to an entity's first annual IFRS Financial statements for a period beginning on or after 1 January 2017
IAS 19 *Employee Benefits*		
• Amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	November 2013	Annual periods beginning on or after 1 July 2014
• Amendments resulting from Annual Improvements 2012-2014 (Clarifies high quality bonds used in estimating the discount rate).	September 2014	Annual periods beginning on or after 1 July 2016
IFRS 11 *Joint Arrangements*		
• Requires an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combination accounting principles and disclose information required by IFRSs for business combination.	May 2014	Annual periods beginning on or after 1 January 2016

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 Standards in issue, not yet effective (Continued)

Pronouncement	Issued	Effective date
IFRS 2 *Share Based Payments*		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition').	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 3 *Business Combinations*		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (Requires fair value measurement for contingent consideration at each reporting date).	December 2013	Annual periods beginning on or after 1 July 2014
• Annual Improvements 2011-2013 Cycle (Clarifies exclusion from its scope the accounting for the formation of a joint arrangement).	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 8 *Operating Segments*		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (Requires disclosure of the judgments made by management).	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 13 *Fair Value Measurement*		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (Clarifies measurement of certain short-term receivables and payables on an undiscounted basis).	December 2013	Annual periods beginning on or after 1 July 2014
• Annual Improvements 2011-2013 Cycle (Clarifies scope of the portfolio exception in paragraph 52).	December 2013	Annual periods beginning on or after 1 July 2014

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 Standards in issue, not yet effective (Continued)

Pronouncement	Issued	Effective date
IAS 16 *Property, Plant and Equipment*		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation).	December 2013	Annual periods beginning on or after 1 July 2014
IAS 24 *Related Party Disclosures*		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities).	December 2013	Annual periods beginning on or after 1 July 2014
IAS 40 *Investment Property*		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities).	December 2013	Annual periods beginning on or after 1 July 2014
IAS 38 *Intangible Assets*		
• Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation).	December 2013	Annual periods beginning on or after 1 July 2014
IAS 27 *Separate Financial Statements*		
• Amendments to permit investments in subsidiaries, joint ventures and associate to be optionally accounted for using the equity method.	August 2014	Annual periods beginning on or after 1 July 2016
IFRS 10 *Consolidated Financial Statements*		
• Clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	September 2014	Annual periods beginning on or after 1 July 2016
• Consolidation exception for investment entities.	December 2014	Annual periods beginning on or after 1 July 2016
IFRS 5 *Non-current Assets Held and Discontinued Operation*		
• Amendments resulting from Annual Improvements 2012-2014 Cycle (Clarifies the reclassification of an asset from held for sale to held for distribution or vice versa).	September 2014	Annual periods beginning on or after 1 July 2016

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

2.2 Standards in issue, not yet effective (Continued)

Pronouncement	Issued	Effective date
IFRS 7 *Financial Instrument; Disclosure*		
• Amendments resulting from Annual Improvements 2012-2014 (Clarifies on offsetting disclosures).	September 2014	Annual periods beginning on or after 1 July 2016
IAS 1 *Presentation of Financial Statements*		
• Amendments resulting from Annual Improvements 2012-2014 (Amendments to address perceived impediments to preparers exercising their judgments in presenting their Financial reports).	September 2014	Annual periods beginning on or after 1 July 2016

The Trustees of the Authority anticipate that other than IFRS 9 and IFRS 15, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Authority.

The Trustees of the Authority anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Authority's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

The Trustees of the Authority anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Authority's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Authority performs a detailed review.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below:

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below:

Going concern

The Board of Trustees have, at the time of approving the financial statements, a reasonable expectation that the Authority has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.3 Contribution income

The National Pension Scheme requires eligible employers to remit contributions for each month by the 10th of the following month. Accordingly, contributions receivable are accounted for as received by the Authority from 11 January during the year to the 10th of January following the end of the financial year.

The contribution rate is set at 10% of the employee's gross wages subject to a ceiling. The rate is shared equally at 5% between the employer and the employee.

3.4 Dividend income

Dividend revenue from investments is recognised when the Authority's right to receive payment has been established.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Interest revenue

Interest revenue comprise interest from financial assets. Interest revenue is recognised when it is probable that the economic benefits will flow to the Authority and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.7 Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, for which it is probable that the Authority will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.8 Property and equipment

All property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of property and equipment over their estimated useful lives, on a straight line basis, at the following annual rates:

Furniture and fittings	8 years
Computer equipment	3 years
Motor vehicles	4 to 5 years

Capital work in progress is not depreciated.

Management has estimated the residual values of the property and equipment at 31 December 2014 to be negligible and for purpose of the financial statements have been assigned a nil value.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property and equipment (Continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of changes in net assets available for benefits.

3.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in statement of changes in net assets available for benefits in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of changes in net assets available for benefits in the period in which the property is derecognised.

3.10 Impairment of tangible assets

At the end of each reporting period, the Authority reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Authority of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of tangible assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of changes in net assets available for benefits.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of changes in net assets available for benefits.

3.11 Employee retirement benefits

The Authority operates a pension scheme for its employees, comprising both defined benefit and defined contribution schemes. The Authority's defined benefit scheme is actuarially valued at intervals of not more than three years. Funding shortfalls arising in the defined benefit scheme are met through lump sum payments into the Scheme or increased future contributions. Severance liabilities in respect of collective agreements with unionised employees are assessed annually.

The Authority provides for retirement benefits for all employees on non-fixed term contracts as provided for by terms provided in Statutory Instrument No. 119, and in line with the Authority's conditions of service.

For contract employees, gratuity is payable at the end of the contract period. Contract periods range from one to three years.

3.12 Leasing

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Operating lease is a lease other than a finance lease . Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leasing (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.13 Foreign currencies

3.13.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha (K).

3.13.2 Transactions and balances

In preparing the financial statements of the Authority, transactions in currencies other than the Authority's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the statement of changes in net assets in the period in which they arise.

3.14 Financial instruments

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in statement of changes in net assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (Continued)

3.14.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including rental receivables, other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.14.2 Financial assets

3.14.2.1 Impairment of financial assets

Financial assets, other than those at fair value through the statement of changes in net assets available for benefits, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

  default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Authority' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (Continued)

3.14.2 Financial assets (Continued)

3.14.2.1 Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of changes in net assets available for benefits.

With the exception of equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of changes in net assets to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.14.2.2 Derecognition of financial assets

The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3.14.3 Financial liabilities and equity instruments

The Authority's principal financial liabilities are benefits payable and sundry payables. Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and equity instrument. Benefits payable and sundry payables are initially measured at fair value net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3.14.4 Derecognition of financial liabilities

The Authority derecognises financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (Continued)

3.14.5 Fair value

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists. The estimated fair values of financial instruments have been determined by the Authority using available market information and appropriate valuation methodologies. However judgment is necessarily required to interpret market data to estimate fair values. Accordingly, the estimates are not necessarily indicative of the amounts the Authority could realise in a current market exchange. The carrying amounts of the financial assets and liabilities approximate their fair values.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Trustee's accounting policies, which are described above, the Trustees are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations below, that the Trustees have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Impairment losses on loans receivable

In determining whether an impairment loss should be recorded in the statement of changes in net assets, the Authority makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the group, or local economic conditions that correlate with defaults on assets in that group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Critical judgments in applying accounting policies (Continued)

4.1.2 Fair value

The fair value of assets is determined by using market rates and in some cases where there is no active market by using valuation techniques. The Authority uses it's judgment and makes assumptions that are mainly based on market conditions existing at the balance sheet date.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Recoverability of rental debtors

During the year, management reconsidered the recoverability of rental debtors arising from investments properties which is included in it's Statement of Net Assets. At each annual reporting period the Authority makes an estimate of the recoverability of the rental debtors and an allowance for doubtful debts.

4.2.2 Useful lives of property and equipment

The Authority reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

Furniture and fittings	8 years
Computer equipment	3 years
Motor vehicles	4 to 5 years

Management has estimated the current useful lives to still be appropriate and to apply the same useful lives.

4.2.3 Claims payable

The Authority is involved in various ongoing litigation cases whose ultimate resolution may result in loss to the Authority. The Authority reviews the estimated losses each year and provisions are made at the Trustee's best estimate of the likely outcome of those cases.

4.2.4 Actuarial valuation assumptions

Actuarial assumptions made in determining the present obligation of retirement benefits as disclosed on Note 5.

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5 ACTUARIAL DEFICIT

The Authority is required to review the actuarial positions of both the Pension Scheme and Provident Fund every three years. The last valuation was performed as at 31 December 2012.

The Pension Scheme was designed to be financed on a scaled premium basis and is therefore not fully funded.

In accordance with Section 44 (2) of the Act, the Scheme's actuarial obligation is required to be assessed on a tri-annual basis by independent actuaries. The Authority engaged an Actuary to evaluate the Pension scheme as at 31 December 2012. The full actuarial valuation report is available for examination by the members at the Authority's Head Office . That actuarial valuation indicated that the present value of the scheme's obligation exceeded the fair value of the assets as follows:

Pension Scheme (Kwacha billions)	**Long records***	**Short records***
Value of benefits accrued	116 200 000 000	169 100 000 000
Assets	6 213 177 002	6 213 177 002
Deficit	**109 986 822 998**	**162 886 822 998**

The key assumptions used in the valuation were:

	%
Valuation interest rate	13
Long term inflation rate	8
Expected rate of return on Scheme assets	15
Future salary increases	10
Future pension increases	10
Mortality rate	
Men	19.7
Women	21.3

In accordance with IAS 26 paragraph 28 (b), the Authority has elected to disclose the actuarial deficit and not record it as a liability on the statement of net assets available For benefits.

The statement of net assets available for benefits therefore does not reflect the Actuarial present value of the promised retirement benefits.

*** Long records**

Where members have contributed for at least 180 months or more and qualify for a pension.

*** Short records**

Where members contributed for less than 180 months and qualify for a pension under the sliding scale.

Kwacha

5 ACTUARIAL DEFICIT (CONTINUED)

Significant actuarial assumptions for the determination of the actuarial deficit or surplus include discount rate and expected salary increase. The sensitivity analyses below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Short records

	Earnings -2.5%	Earnings-4.25%	Earnings +5%
Value of scheme liabilities	60 000 000 000	116 200 000 000	10 100 000 000.00
Assets	6 213 177 002	6 213 177 002	6 213 177 002
Deficit	**(53 786 822 998)**	**(109 986 822 998)**	**(3 886 822 998)**
Fund status	10.4%	5.3%	61.2%

Long records

	Earnings -2.5%	Earnings-4.25%	Earnings +5%
Value of scheme liabilities	85 900 000 000	169 100 000 000	12 400 000 000.0
Assets	6 213 177 002	6 213 177 002	6 213 177 002
Deficit	**(79 686 822 998)**	**(162 886 822 998)**	**(6 186 822 998)**
Fund status	7.2%	3.7%	50.1%

The pension scheme is currently still an immature scheme and benefits expenditure can be expected to increase significantly as more members (with longer contribution records) draw their benefits. The break-even contribution rate is projected to remain below the current rate of 10% for around the next 20 to 30 years under the short and long records scenarios.

6 PENSION CLAIMS AND WITHDRAWALS

	2014	2013
Pension Scheme		
Retirement refund	**36 353 632**	26 258 476
Survivors refund	**19 221 443**	16 286 770
Invalidity refund	**693 700**	961 674
Refund of contributions	**2 132 709**	1 174 440
	58 401 484	44 681 360
Indexed payments	**95 779 102**	73 920 604
Interest on refund	**6 871 184**	2 163 258
	102 650 286	76 083 862
	161 051 770	120 765 222

Kwacha

6 PENSION CLAIMS AND WITHDRAWALS (CONTINUED)

The indexed payment is meant to compensate the Member for the loss of value due to the devaluation of the Kwacha. Interest is paid on the Members' contributions using the rate as determined by the Authority.

The Authority has not made any pension payment since inception as none of its Members currently qualify to receive the pension, except for those Members that have qualified under the reduced criteria for those aged between 39 and 48 years at inception (on 1 February 2000). Since the Authority was only established in 2000, no Members have made 180 monthly contributions as at 31 December 2014. However, Members who reach the retirement age but have not made 180 contributions are given a refund plus interest on the contributions made to the Authority up to the time of retirement.

	2014	2013
Provident Fund		
Interest on benefits	**115 964 049**	68 507 263
Retirement	**12 992 892**	(446 676)
Survivors	**345 174**	(117 950)
Age	**203 969**	13 516
Disability	**5 985**	(9 097)
Home ownership	**(65 596)**	(52 632)
Savings	**(248)**	(23 461)
	129 446 225	67 870 963

Various lump sum payments are made to Members who contributed to the Zambia National Provident Fund.

7 NORMAL RETIREMENT PENSIONS

In accordance with the Act, Members qualify for payment of pension following attainment of pensionable age of 55 years and have made not less than 180 monthly contributions.

The pension payments made in 2014 relate to Members who have qualified for a pension under the reduced criteria for those aged between 39 and 48 years at inception of the Authority on 1 February 2000.

The year ended 2006 was the first year in which Members qualified to be paid a retirement pension under the sliding scale.

The table on **page 38** also referred to as the "sliding scale" specifies the number of months of pensionable employment required at each age by the appointed date under this rule for a member to qualify for a pension. This is necessary because there are certain Members who at inception on 1 February 2000, would not be able to qualify for a pension since they were required to make the minimum 180 monthly contributions.

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7 NORMAL RETIREMENT PENSIONS (CONTINUED)

Age at (1 February 2000) inception date	Number of months of pensionable employment required
39	168
40	156
41	144
42	132
43	120
44	108
45	96
46	84
47	72
48	60

The intention of this provision is to enable older workers, who could not reasonably be expected to garner 180 months of pensionable employment by retirement age, to earn the right to pension benefits.

8 TAXATION

The Authority is exempt from income tax under the terms of the Second Schedule to the Income Tax Act, 1996 (as amended) except as follows: under the terms of the income tax amendment Act 3 of 2003 interest arising on Treasury Bills ("TB") or Government bonds is subject to withholding tax at source at 15% with effect from 1 April 2003; the tax withheld at source is also the final tax.

In the course of the year the Authority suffered **K88.5 million** (2013: K 62.5 million) in withholding tax on investment income under the Pension Scheme.

Pension Scheme	**2014**	2013
Withholding tax @ 15% on interest on TBs or Government bonds	**88 516 073**	62 597 627
Included under current liabilities		
Payable in respect of previous year	**25 450 967**	20 217 719
Payable in respect of the current year	**88 516 073**	62 597 627
	113 967 040	82 815 346
Withholding tax suffered at source	**(82 400 578)**	(57 364 379)
Current tax liabilities	**31 566 462**	25 450 967

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9 FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks, including credit risk and the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by management under policies approved by the Board of Trustees. Management identify and evaluate the financial risks.

MARKET RISK

(i) Fair value Interest rate risk

The Authority's interest bearing assets are at fixed rate (fixed term deposits, treasury bills and Government Bonds) except for the following:

Barclays Bank Zambia Plc bond (15 years) which is at 91 days treasury bill rate +1.25%

(ii) Equity market prices

The Authority is exposed to equity market price risk arising from changes in market prices of shares and investment securities. Equity market price risk arises from recognised equity investments and investment securities.

Pension Scheme
At 31 December 2014, if the market prices had strengthened by 10%, increase in net assets for the year would have been **K 138,723,915** higher (2013: K67,207,759.00) mainly as a result of equity investments.

At 31 December 2014, if the market prices had weakened by 10%, decrease in net assets for the year would have been **K138,723,915** lower (2013: K67,207,759.00) mainly as a result of equity investments.

(iii) Foreign exchange risk

The Authority is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Dollar bank account.

At 31 December 2014, if the Kwacha had strengthened/weakened by 5% against the US dollar with all other variables held constant, increase in net assets for the year would have been **K11,901** higher/lower (2013: K 11,775 Dollar Bank accounts).

CREDIT RISK

Credit risk arises from cash and cash equivalents, corporate bonds and deposits with banks, as well as other receivables. The Authority does not have significant concentrations of credit risk. The Board assesses the credit quality of each investment, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by the Board of Trustees.

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9 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

The Authority's maximum exposure to credit risk at 31 December 2014 is as follows:

	2014	2013
Pension Scheme		
Government securities (note 13)	**3 690 246 074**	3 441 317 693
Fixed term deposits (note 14)	**2 832 771 310**	1 728 576 808
Equity investments (note 15)	**1 405 083 501**	675 074 922
Cash and cash equivalents	**185 040 548**	87 589 309
Other receivables (note 18)	**35 629 127**	27 018 787
Other bonds (note 14)	**30 924 003**	31 493 103
	8 179 694 563	5 991 070 622

Collateral is held on certain fixed term deposits.

Provident Fund		
Other receivables (note 18)	**1 839 227**	424 051
Equity investments (note 15)	**-**	45 050
	1 839 227	469 101

None of the above assets are past due or impaired except for the following amounts in rental debtors (which are due within 30 days of the end of the month in which they are invoiced):

	2014	2013
Past due but not impaired:		
over 60 days	**19 038 787**	15 251 221
Provision for bad debts	**(17 199 560)**	(14 782 120)
	1 839 227	469 101

LIQUIDITY RISK

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from member contributions and returns from investments.

Management monitors rolling forecasts of the Authority's liquidity reserve on the basis of expected cash flow.

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9 FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK (CONTINUED)

The table below analyses the Authority's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Total
Pension Scheme			
At 31 December 2014			
Other payables and accrued expenses	**157849318**	**-**	**157 849 318**
Deferred liabilities	**6 799 398**	**-**	**6 799 398**
At 31 December 2013			
Other payables and accrued expenses	167 641 974	-	167 641 974
Deferred liabilities	2 889 031	-	2 889 031

	Less than 1 year	Between 1 and 2 years	Total
Provident Fund			
At 31 December 2014			
Payables	**15 207 731**	**-**	**15 207 731**
At 31 December 2013			
Payables	24 381 156	-	24 381 156

FAIR VALUE MEASUREMENTS

Fair value of the Authority's financial assets that are measured at fair value on a recurring basis

Some of the Authority's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

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9 FINANCIAL RISK MANAGEMENT (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of the Authority's financial assets that are measured at fair value on a recurring basis (continued)

Financial asset	Fair value hierarchy	Valuation techniques	2014	2013
Listed securities	Level 1	(i)	**1 387 239 156**	675 074 922
Government bonds	Level 2	(ii)	**3 528 792 815**	2 876 689 270
Treasury bills	Level 2	(ii)	**161 453 259**	564 628 423
Other stocks and bonds	Level 2	(ii)	**30 924 003**	31 493 103

(i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities on the Lusaka Stock Exchange.

(ii) Level 2 – Discounted cash flows are estimated based on Bank of Zambia rates observable on Treasury Bills & GRZ Bonds at the end of the reporting period.

iii) Level 3 – Inputs are unobservable inputs for the asset or liability.

At 31 December 2014, the Authority did not have financial liabilities measured at fair value (2013: nil).

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

FINANCIAL ASSETS	2014		2013	
Pension Scheme	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Loans and receivables				
Loans and advances	**445 184 900**	**445 184 900**	363 341 144	363 341 144
Contribution receivables	**179 786 954**	**179 786 954**	97 897 173	97 897 173
Bank and cash balances	**185 040 548**	**185 040 548**	87 589 309	87 589 309
Other receivables*	**31 917 224**	**31 917 224**	2 122 556	2 122 556
Employee receivables	**3 437 033**	**3 437 033**	4 689 019	4 689 019
	845 366 659	**845 366 659**	555 639 201	555 639 201

* This amount excludes prepayments and VAT receivable

The carrying amounts of the financial instruments above approximate their fair values due.

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9 FINANCIAL RISK MANAGEMENT (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value hierarchy

	Fair value hierarchy as at 31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Government securities	-	**3 690 246 074**	-	**3 690 246 074**
Other securities	-	**30 924 003**	**2 832 771 310**	**2 863 695 313**
Equity Investments	**1 387 239 156**	-	**17 844 345**	**1 405 083 501**
Loans and advances	-	-	**445 184 900**	**445 184 900**
Bank and cash balances	-	-	**185 040 548**	**185 040 548**
Contributions receivables	-	-	**179 786 954**	**179 786 954**
Other receivables*	-	-	**31 917 224**	**31 917 224**
Employee receivables	-	-	**3 437 033**	**3 437 033**
Total	**1 387 239 156**	**3 721 170 077**	**3 695 982 314**	**8 804 391 547**

Fair value hierarchy

	Fair value hierarchy as at 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Government securities	-	3 441 317 693	-	3 441 317 693
Other securities	-	30 924 003	1 728 576 808	1 759 500 811
Equity Investments	675 074 922	-	17 844 345	692 919 267
Loans and advances	-	-	363 341 144	363 341 144
Bank and cash balances	-	-	87 589 309	87 589 309
Contributions receivables	-	-	97 897 173	97 897 173
Other receivables*	-	-	2 122 556	2 122 556
Employee receivables	-	-	4 689 019	4 689 019
Total	675 074 922	3 472 241 696	2 302 060 354	6 449 376 972

* This amount excludes prepayments and VAT receivable

At 31 December 2014, the Authority did not have financial liabilities measured at fair value (2013: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2014

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10 INVESTMENT INCOME	2014	2013
Pension Scheme		
Gross Interest income on Government Bonds	**523 387 051**	381 940 980
Interest income on fixed term deposits	**296 138 433**	159 346 649
Gross Interest income on treasury bills	**50 538 872**	36 745 876
Net rental income	**32 766 964**	24 518 488
Dividend from equities	**33 386 820**	23 123 599
Interest on cash deposits	**24 778 190**	994 453
Profit on sale of housing units	**17 819 000**	-
Sundry income	**7 877 936**	554 880
Interest income on other stocks and bonds	**3 739 270**	4 319 730
Management fees recoverable from ZNPF	**1 407 587**	1 049 215
Interest income on loans	**714 297**	832 489
	992 554 420	633 426 359
Provident Fund		
Net rental income	**16 288 564**	14 390 800
Sundry income	**14 365 973**	255 916
	30 654 537	14 646 716

11 EMPLOYEE BENEFIT EXPENSES		
Salaries and other staff benefit costs	**135 704 396**	121 317 724
Pension costs	**7 882 987**	7 337 159
	143 587 383	128 654 883

The Authority maintains a pension scheme comprising a defined contribution scheme and a closed defined benefit scheme, established to provide retirement benefits for its employees. The last actuarial evaluation was as at 31 December, 2011 for the defined benefit scheme , wherein the Scheme recorded a surplus of K358,100.

The defined benefit scheme was closed to new members in 2007 .The scheme rules specify that the Authority has no recourse over the actuarial surplus and accordingly, the surplus is not recorded in the Authority's accounting records.

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12 ADMINISTRATIVE EXPENSES	2014	2013
Pension Scheme		
Office maintenance and related expenses	**7 629 525**	10 490 269
Advertising and promotion	**7 569 380**	3 854 119
Travelling expenses	**7 385 789**	6 120 792
Sports expenses	**6 907 835**	5 736 812
Computer expenses	**6 202 402**	3 952 463
Rent	**5 558 032**	5 414 595
Motor vehicle expenses	**4 432 752**	2 284 257
Staff welfare & training	**3 409 706**	4 592 468
Authority Expenses	**2 986 401**	1 885 589
Printing and stationery	**2 568 846**	2 088 320
Telephone and postage	**1 958 417**	2 668 261
Rental charges payable to ZNPF	**1 435 000**	1 435 000
Property Insurance	**1 381 112**	470 607
Actuarial professional fees	**1 370 141**	170 000
Legal Fees	**1 176 143**	6 337 180
Other expenses	**1 157 694**	1 478 794
Bank charges	**984 231**	2 219 474
Audit fees	**630 414**	550 000
	64 743 820	61 749 000
Provident fund		
Legal settlement and costs	**7 775 477**	181 246
Office maintenance and related expenses	**2 473 774**	6 407 487
Security	**1 582 883**	1 554 182
Management fees payable to NAPSA	**1 407 587**	1 049 215
Rent	**1 207 586**	819 839
Actuarial professional fees	**190 301**	-
Bank charges	**20 656**	72 429
	14 658 264	10 084 398

13 GOVERNMENT SECURITIES		
Pension Scheme		
Government bonds	**3 528 792 815**	2 876 689 270
Treasury bills	**161 453 259**	564 628 423
	3 690 246 074	3 441 317 693

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13 GOVERNMENT SECURITIES (CONTINUED)	2014	2013
13.1 Government bonds		
At beginning of period	**2 876 689 270**	2 267 012 122
Purchases	**1 774 665 604**	1 494 395 057
Bonds matured during the year	**(800 897 935)**	(567 887 452)
Fair value movement (due to rising interest rates)	**(321 664 124)**	(316 830 457)
	3 528 792 815	2 876 689 270
Maturity analysis:		
Pension scheme		
2 to 5 year Government bonds	**2 520 221 051**	2 153 776 939
7 to 15 year Government bonds	**1 008 571 763**	722 912 331
	3 528 792 814	2 876 689 270

The Authority holds Government bonds returning a variable rate of interest. Interest is receivable semi annually at varying rates between 8% and 15%. The bonds mature on diverse dates between January 2014 and December 2026.

13.2 Treasury bills		
At beginning of period	**564 628 423**	320 817 171
Investments/purchases	**225 013 732**	517 569 164
Fair value movement	**(51 369 511)**	30 991 087
Treasury bills matured during the year	**(576 819 385)**	(304 748 999)
	161 453 259	564 628 423
13.3 Fair value movement		
Government bonds	**(321 664 124)**	(316 830 457)
Treasury bills	**(51 369 511)**	30 991 087
	(373 033 635)	(285 839 370)
14 OTHER SECURITIES		
Pension Scheme		
Fixed term deposits	**2 832 771 310**	1 728 576 808
Other stocks and bonds	**30 924 003**	31 493 103
	2 863 695 313	1 760 069 911

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14 OTHER SECURITIES (CONTINUED)	2014	2013
14.1 Fixed term deposits		
* Barclays Bank Zambia Plc	**885 103 469**	242 479 059
Finance Bank Zambia Limited	**353 860 045**	151 721 589
Stanbic Bank Zambia Limited	**309 961 970**	187 230 849
Zambia National Commercial Bank Plc	**285 002 999**	184 094 607
BancABC Limited	**215 849 197**	80 001 837
Investrust Bank Plc	**174 919 519**	175 907 720
First National Bank Limited	**147 617 406**	153 198 325
Standard Chartered Bank Zambia Plc	**114 352 590**	79 163 485
Access Bank Zambia Limited	**103 818 126**	40 011 714
United Bank of Africa Limited	**83 759 612**	100 567 871
Ecobank Limited	**45 105 879**	76 983 085
Indo-Zambia Bank Limited	**33 443 175**	136 385 619
Citibank Zambia Limited	**30 648 082**	64 489 241
Intermarket Bank Limited	**21 588 082**	-
First Alliance Bank Limited	**16 679 445**	-
Cavmont Capital Bank Limited	**11 061 714**	34 967 641
Union Bank Limited (In Liquidation)	**235 096**	235 096
United Bank of Zambia Limited (In Liquidation)	**80 517**	80 517
International Commercial Bank Limited	**-**	21 374 164
	2 833 086 923	1 728 892 420
Less: Impairment provision	**(315 613)**	(315 613)
	2 832 771 310	1 728 576 808

* This included an amount of K570 million which was set aside for the underwriting of shares in ZCCM-IH post year end.

Provident Fund

Commerce Bank Limited (In Liquidation)	**1 365 977**	1 365 977
First Merchant Bank Limited	**847 187**	847 187
Credit Africa Bank Limited (In Liquidation)	**793 790**	793 790
Union Bank Limited (In Liquidation)	**299 850**	299 850
Union Leasing Zambia Limited	**202 835**	202 835
UniFinance Zambia Limited	**119 837**	119 837
Cavmont Capital Bank Limited	**430**	430
	3 629 906	3 629 906
Less: Impairment provision	**(3 629 906)**	(3 629 906)
	-	-

Kwacha

14 OTHER SECURITIES (CONTINUED)	2014	2013
14.1 Fixed term deposits (Continued)		

Interest on fixed term deposits is receivable on maturity at varying rates between 6% and 13%. The maturity period ranges between 30 to 365 days and deposits mature on diverse dates between January 2015 and December 2015.

14.2 Other stocks and bonds

Pension Scheme		
Investrust Bank Plc	**15 683 178**	16 202 275
Barclays Bank (Zambia) Plc	**15 240 825**	15 290 828
	30 924 003	31 493 103

Barclays Bank Zambia Plc 7 - 12 year bond

This is a 12 year corporate bond denominated in Kwacha. The bond bears interest at 91 days Treasury Bills rate + 1.25% margin per annum.

Investrust Bank Plc

This is a combination of two bonds denominated with tenures of 6 years. The interest rates are at 182 days Treasury Bills rate + 3.25% margin and 182 days Treasury bills rate + 4% margin respectively.

Provident Fund

Meridian BIAO Bank Limited (In liquidation)	**11 252**	11 252
Less: Impairment provision	**(11 252)**	(11 252)
	-	-

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15 EQUITY INVESMENTS	2014	2013
Pension Scheme		
Investments in shares listed on LuSE	**1 387 239 156**	675 074 922
Investment in Levy Business Park Hotel Limited	**17 844 345**	17 844 345
	1 405 083 501	692 919 267

Investments in shares listed on LuSE

The movements in investment in shares listed during the period were as follows:

At beginning of period	**675 074 922**	348 539 276
Purchases	**578 920 617**	140 874 752
Fair value movement	**133 243 617**	185 660 894
	1 387 239 156	675 074 922

Investment in Levy Business Park Hotel Limited

The Authority holds 100% interest in Levy Business Park Hotel Limited (Stay Easy Hotel). As there is no reliable measure of the fair value of this investment, it is carried at cost, and regularly reviewed for impairment at each reporting date.

Provident Fund

Investments in shares listed on LuSE	-	45 050

The movements in investment in shares listed during the period were as follows:

At beginning of period	**45 050**	93 817 308
Impairment provision	**(45 050)**	-
Transfer of shares to NAPSA	**-**	(130 946 678)
Fair value movement	**-**	37 174 420
	-	45 050

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15 EQUITY INVESTMENTS (CONTINUED)

The investments in shares listed on LuSE were held as follows:

	No. of shares	Share price	2014 Market Value	2013 Market Value
Pension Scheme				
Zambia Sugar Plc	**30 788 019**	**6.60**	**203 200 923**	162 440 420
Zambia National Commercial Bank Plc	**842 130 347**	**0.28**	**235 796 497**	231 607 467
Zambeef Plc	**24 797 819**	**2.85**	**70 673 784**	32 300 467
Puma Zambia Plc	**49 972 746**	**1.20**	**59 967 295**	60 792 641
Standard Chartered Bank (Z) Plc	**39 873 975**	**1.95**	**77 754 252**	68 690 544
Metal Fabricators of Zambia Plc	**3 290 567**	**5.00**	**16 452 835**	5 445 260
Real Estate Investments Zambia Plc	**5 691 431**	**4.00**	**22 765 724**	6 712 243
Prima Re-Insurance Plc	**4 281 895**	**2.91**	**12 460 314**	12 845 485
Lafarge Cement Zambia Plc	**9 499 942**	**26.00**	**246 998 492**	67 773 148
Cavmont Capital Holdings Plc	**546 916**	**2.00**	**1 093 832**	1 093 832
Pamodzi Hotel Plc	**4 164 607**	**0.62**	**2 582 056**	2 636 707
National Breweries Plc	**1 400 000**	**12.00**	**16 800 000**	14 210 000
British American Tobacco Zambia Plc	**6 394 439**	**5.75**	**36 768 024**	738 028
African Explosives Plc	**293 798**	**6.87**	**2 018 394**	888 465
Copperbelt Energy Corporation Plc	**15 779 333**	**0.62**	**9 783 187**	6 900 015
ZCCM Investment Holdings Plc	**8 269 412**	**45**	**372 123 547**	-
			1 387 239 156	675 074 722
Provident Fund				
Commerce Bank Limited (In Liquidation)	**2 157 780**	**1**	**2 157 780**	2 157 780
Development Bank of Zambia	**4 505**	**10**	**45 050**	45 050
Zambia Consumer Buying Corporation Limited (In Liquidation)	**5 000**	**0.5**	**2 500**	2 500
Lima Bank Limited (In Liquidation)	**500**	**1**	**500**	500
Kapiri Glass Products Limited (In Liquidation)	**150**	**1**	**150**	150
			2 205 980	2 205 980
Less: Impairment provision			**(2 205 980)**	(2 160 930)
			-	45 050
Movement in impairment provision				
Balance at the beginning of year			**2 160 930**	2 160 930
Impairment losses recognised in the year			**45 050**	-
Balance at end of the year			**2 205 980**	2 160 930

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16 LOANS AND ADVANCES	2014	2013
Pension Scheme		
Receivable from:		
Society House Development Company Limited	**443 283 256**	358 589 500
Zambian Lotto Limited	**1 901 644**	4 751 644
	445 184 900	363 341 144

Society House Development Company Limited ('SHDCL")

The Authority provided an unsecured loan to a subsidiary company, SHDCL, for the development of Society House and Central Arcades in the central business district of Lusaka. The Authority is in the process of finalising the terms of agreement for the loan. The proposed terms include the repayment of principal amount to the Authority over a period of 20 years, with interest at the Interest rate of 15% per annum.

Zambian Lotto

The Authority provided an unsecured loan to Zambian Lotto Limited, on 1 July 2010, with a repayment period of 60 months at an interest rate of 4%.

Provident Fund		
Receivable from:		
Government	**971 145**	971 145
Parastatal and private sector	**88 227**	88 227
Local authorities	**7 715**	7 715
	1 067 087	1 067 087
Less: Impairment provision	**(1 067 087)**	(1 043 343)
	-	23 744

Movement in allowance for doubtful debts		
Balance at the beginning of year	**1 043 343**	1 019 586
Impairment losses recognised in the year	**23 744**	23 757
Balance at end of the year	**1 067 087**	1 043 343

17 EMPLOYEE RECEIVABLES		
Pension Scheme		
Other staff loans	**3 466 818**	4 943 270
Bad debts provision	**(29 785)**	(254 251)
	3 437 033	4 689 019

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17 EMPLOYEE RECEIVABLES (CONTINUED)	2014	2013
Movement in allowance for doubtful debts		
Balance at the beginning of year	**254 250**	254 250
Amounts recovered during the year	**(254 250)**	-
Impairment losses recognised in the year	**29 785**	-
Balance at end of the year	**29 785**	254 250

18 OTHER RECEIVABLES		
Pension Scheme		
Rental receivables	**39 952 425**	25 981 894
* ZCCM-IH un allotted Shares	**19 044 660**	-
VAT recoverable	**3 898 012**	23 833 822
Dividend receivables	**3 351 346**	11 273
Other receivables	**2 712 823**	2 593 875
Prepayments	**360 557**	1 062 409
Bad debt provision	**(33 690 696)**	(26 464 486)
	35 629 127	27 018 787

* The balance receivable from ZCCM- IH relates to 651,545 shares out of 8,920,957 shares which were not allotted to the Pension Scheme from the underwriting transaction.

Movement in allowance for doubtful debts		
Balance at the beginning of year	**26 464 486**	590 104
Impairment losses recognised on rent receivables	**13 682 028**	26 289 800
Impairment losses recognised on advances	**387 690**	1 974 902
Amounts recovered during the year	**(6 843 508)**	(2 390 320)
Balance at end of the year	**33 690 696**	26 464 486

Provident Fund		
Rental debtors	**19 038 787**	15 206 171
Bad debts provision	**(17 199 560)**	(14 782 120)
	1 839 227	424 051

Movement in allowance for doubtful debts		
Balance at the beginning of year	**14 782 120**	12 064 259
Impairment losses recognised in the year	**2 417 440**	2 717 861
Balance at end of the year	**17 199 560**	14 782 120

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19 INVENTORY	2014	2013
Consumable inventory	**741 259**	1 051 739
Housing inventory:		
Inventory - Kalulushi Housing	**208 862 391**	265 087 043
Inventory - Northgate Gardens	**141 591 285**	127 812 514
Inventory - NHA Housing	**39 608 307**	174 122 076
	390 061 983	567 021 633

The cost of inventories recognised as an expense during the year was **K140,441,977** (2013: K1,354,270).

The cost of inventories recognised as an expense includes **K48,806,961** (2013: nil) in respect of write-downs of inventory to net realisable value.

Movement in impairment on housing inventory

Balance at beginning of the year	-	-
Impairment recognised on inventories	**48 806 961**	-
Balance at end of the year	**48 806 961**	-

20 INVESTMENT PROPERTIES

Pension Scheme

Balance at beginning of the year	**1 015 489 577**	1 006 088 073
Additions	**69 628 831**	25 137 877
Changes in fair value	**(33 158 588)**	-
Transfer to VAT Account*	**(5 851 100)**	(15 736 373)
Balance at end of the year	**1 046 108 720**	1 015 489 577

* Input VAT was initially recognised in Investment Property, the input VAT has been deemed recoverable, accordingly the Authority has transferred the input VAT to VAT account.

Provident Fund

Balance at beginning of the year	**298 125 028**	183 510 675
Additions	**-**	240 169
Fair value movement	**-**	114 374 184
Balance at end of the year	**298 125 028**	298 125 028

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20 INVESTMENT PROPERTIES (CONTINUED)

Investment property comprises a number of commercial properties that are leased to third parties. Lease contracts are drawn up for each customer containing terms and conditions which include the commencement date, durations and termination, security deposit, maintenance of premises, security and insurance.

The property rental income earned by the Authority from its investment property, all of which is leased out under operating leases, amounted to Pension **K33,641,964** (K24,518,488); ZNPF: **K16,288,564** (2013: K14,390,800).

(a) Fair value measurement of the Authority's investment properties

The fair value of the Authority's investment properties as at 31 December 2014 and 31 December 2013 has been arrived at on the basis of a valuation carried out on the respective dates by the following valuers: Liberty Properties, Pam Golding and Government Valuation Department. Liberty Properties and Pam Golding are not related to the Authority.

The valuers are members of the Surveyors Institute of Zambia (SIZ), and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The Valuation Surveyors who carried out the valuation of the investment properties are registered to practice valuation surveying in accordance with Section 3 of the Surveyors Act, Cap 207 of the Laws of Zambia.

(b) Fair value hierarchy

Pension Scheme

The fair value measurement for investment property of **K1,068,631,481** (31 December 2013:K1,015,489,577) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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20 INVESTMENT PROPERTIES (CONTINUED)

(b) Fair value hierarchy (Continued)

Provident Fund

The fair value measurement for investment property of K298,125,028 (31 December 2013:K298,125,028) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The latest independent valuation was done as at 31 December 2013 for Provident Fund , the Zambian property market does not experience volatile property fluctuations in the fair values. Accordingly the carrying amount does not differ materially from that which would be determined using fair value at the end of 31 December 2014.

(c) Valuation technique and significant unobservable inputs used

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties/ capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood.

The following table shows the significant unobservable inputs used and Sensitivity.

Significant unobservable inputs	Sensitivity
The following are the Significant unobservable inputs	The estimated fair value would increase (decrease) if:
• Expected market rental growth (10-13%. Weighted average 11.5%).	• Expected market rental growth were higher (lower):
• Void periods (average 1 months after the end of each cancelled lease).	• Void periods were shorter (longer);
• Occupancy rate (92.5-97.5% weighted average (95%).	• The occupancy rate were higher (lower);
• Rent-free periods (2-month period on new leases).	• Rent-free periods were shorter (longer); or
• Risk-adjusted discount rates (10-15%. weighted average 12.5%).	• The risk-adjusted discount rate were lower (higher).

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21 PROPERTY AND EQUIPMENT

Pension Scheme

	Capital Work in Progress	Motor vehicles	Office furniture, equipment and fittings	Total
Cost				
Balance at 1 January 2013	-	23 937 774	13 377 054	37 314 828
Additions		10 470 588	5 292 513	15 763 101
Disposals	-	(3 495 371)	(1 797 085)	(5 292 456)
Balance at 31 December 2013	**-**	**30 912 991**	**16 872 481**	**47 785 472**
Additions	10 705 580	12 004 519	5 973 682	28 683 781
Disposals	-	(2 793 167)	(548 417)	(3 341 584)
Balance at 31 December 2014	**10 705 580**	**40 124 343**	**22 297 746**	**73 127 669**
Accumulated depreciation and impairment				
Balance at 1 January 2013	-	13 742 215	6 837 913	20 580 128
Charge for year	-	3 954 558	2 060 045	6 014 603
Eliminated on disposal	-	(2 935 669)	(39 917)	(2 975 585)
Balance at 31 December 2013	**-**	**14 761 104**	**8 858 042**	**23 619 146**
Charge for year	-	5 186 396	3 751 899	8 938 295
Eliminated on disposal	-	(2 528 359)	(398 638)	(2 926 997)
At 31 December 2014	**-**	**17 419 141**	**12 211 303**	**29 630 444**
Carrying amount				
At 31 December 2014	**10 705 580**	**22 705 202**	**10 086 443**	**43 497 225**
At 31 December 2013	-	16 151 887	8 014 439	24 166 328

The Provident Fund had no property and equipment as at 31 December 2014 and 2013.

22 CAPITAL COMMITMENTS

As at 31 December 2014 the Authority had capital commitments of **K12.5 million** (2013: K11.5 million).

23 PROVISIONS FOR CLAIMS PAYABLE

Claims payable include ongoing litigation cases whose ultimate resolution will in the Trustee's view result in loss to the Authority. The amounts accrued are at Trustees' best estimate of the likely outcome of those claims.

Pension scheme	**2014**	2013
At the beginning of the year	**25 021 700**	10 583 747
Charge for the year	**12 591 162**	42 986 042
Payments during the year	**(24 344 313)**	(28 548 089)
At the end of the year	**13 268 549**	25 021 700

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23 PROVISIONS FOR CLAIMS PAYABLE	2014	2013
Provident fund		
At the beginning of the year	**45 400 000**	47 730 688
Charge for the year	**6 496 977**	2 849 000
Payments during the year	**(22 400 000)**	(5 179 688)
At the end of the year	**29 496 977**	45 400 000

24 OTHER PAYABLES AND ACCRUALS		
Pension Scheme		
Accrued expenses	**107 957 015**	47 875 243
Amounts due to related parties (Note 27)	**29 968 817**	-
Sundry payables	**19 923 486**	119 766 731
	157 849 318	167 641 974
Provident Fund		
Accrued expenses	**15 207 731**	17 951 350
VAT payable	**-**	6 392 955
Sundry payables	**-**	36 851
	15 207 731	24 381 156

25 DEFERRED LIABILITIES

Pension Scheme

Deferred liabilities comprise provisions for retirement benefits and other employee provisions estimated to become payable after more than one year. The movements on the account during the year were as follows:

At beginning of year	**2 889 031**	2 353 807
Charge for the year	**4 360 088**	5 815 713
Paid during the year	**(449 721)**	(5 280 489)
At end of year	**6 799 398**	2 889 031

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26 CONTRIBUTIONS RECEIVABLE FROM MEMBERS

Contributions receivable from members represents the statutory contributions as required by the National Pension Scheme Act, No. 40 of 1996 which requires the employer and employee to contribute 5% of the gross earnings into the Scheme.

The Authority's policy requires that contribution income is accounted for on the basis of receipts from 11 January of each year to 10 January of the following year. Contribution income from 1 January to 10 January 2015 amounted to **K179,786,954** (2013: K97,897,173).

27 RELATED PARTY TRANSACTIONS

In the context of the Authority, related party transactions include any transactions made with any of the following persons:

- The Government;
- Members of the Board of Trustees;
- Key management personnel
- NAPSA Staff Pension Scheme;
- Levy Business Park Hotel Limited; and
- Society House Development Company Limited

The transactions to be reported are those that affect the Authority in making financial and operating decisions. Examples of such transactions include:

- Finance (loans);
- Procurement and investment contracts;
- Disposal of assets; and
- Rental income.

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

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27 RELATED PARTY TRANSACTIONS (CONTINUED)	2014	2013
Pension Scheme		
Recoverables from the Ministry of Labour and	**12 500**	-
During the course of the year the Authority made various donations to the Ministry of Labour and Social Security.	**-**	47 903
(a) Amounts due from subsidiaries		
Society House Development Company Limited	**443 283 256**	358 589 500
The loan has been disclosed on Note 16.		
(b) Amounts due to subsidiaries		
Levy Business Park Hotel Limited	**29 968 817**	-
The amount has been disclosed on Note 24. The amounts are in respect of the surplus funds generated by the Hotel and advanced to the Authority.		
Provident Fund		
Rental income from Government	**1 267 955**	1 395 079
Government loans	**187 463**	187 463
Parastatal and private sector	**88 227**	88 227
Interest on Government loans	**23 746**	23 746
Local authority loans	**2 918**	2 918
	302 354	302 354
Compensation of Trustees		
The remuneration of Board and Committee members during the year was as follows:		
Allowances and expenses	**2 986 000**	1 885 589
Compensation key management personnel		
The remuneration of key management personnel during the year was as follows:		
Salaries and allowances	**6 229 801**	5 302 135
Gratuity	**2 383 881**	2 707 115
	8 613 682	8 009 250

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28 CONTINGENT LIABILITIES

Other than the liability to pay pensions and other benefits there were no other contingent liabilities of the Scheme as at 31 December 2014, as all other deemed likely to crystallise have been provided for.

29 EVENTS AFTER THE REPORTING DATE

There were no material significant events after the reporting date that require disclosure in or adjustment to the financial statements.

APPENDIX I - STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

Kwacha

	Pension Scheme		Provident Fund	
	2 014	2013	**2 014**	2013
Member service operations:				
Contributions receivable from Members	**2 290 190 767**	1 758 658 393	**-**	-
Benefit claims and refunds	**(168 949 995)**	(127 590 025)	**(129 451 649)**	(68 052 130)
Normal retirement pensions	**(155 260 366)**	(120 079 783)	**-**	-
	1 965 980 406	1 510 988 585	**(129 451 649)**	(68 052 130)
Investment operations:				
Investment revenue				
- Interest on Government bonds	**523 387 051**	381 940 980	**-**	-
- Interest on treasury bills	**50 538 872**	36 745 876	**-**	-
- Interest on term deposits	**296 138 434**	159 346 649	**-**	578 209
- Other investments	**28 517 460**	5 314 182	**-**	-
- Rental income	**32 766 964**	24 518 488	**16 288 564**	14 068 507
- Dividend income	**33 386 817**	23 123 599	**-**	-
Management fees	**1 407 587**	1 049 215	**-**	-
Handling fees	**(7 359 063)**	(13 699 520)	**-**	-
Medical levy	**-**	(1 102 526)	**-**	(141)
Income sale of houses	**17 819 000**	-	**-**	-
Revaluation of Equity	**133 243 617**	-	**-**	-
Surplus on revaluation of investments properties	**(33 158 588)**	-	**-**	114 374 184
Impairment of housing inventory	**(48 806 961)**	-	**-**	-
Surplus on revaluation of financial assets	**(373 033 635)**	(100 178 476)	**-**	37 174 420
- Bad and doubtful debts provision	**(14 099 503)**	(28 264 702)	**(2 487 127)**	(2 717 861)
Interest on loans and advances	**714 297**	832 488	**-**	-
	641 462 349	489 626 253	**13 801 437**	163 477 318
Other operating income:				
- Exchange gains (losses)	**(392 455)**	379 398	**-**	(322 293)
- Gain (loss) on disposal of plant and equipment	**566 490**	265 014	**-**	-
- Sundry income	**14 975 695**	554 880	**14 365 973**	-
	15 149 730	1 199 292	**14 365 973**	(322 293)
Management expenses:				
- Employee benefit expenses	**(135 704 396)**	(121 317 724)	**-**	-
- Administration expenses	**(64 743 820)**	(61 749 000)	**(14 658 264)**	(10 084 398)
- Pension cost	**(7 882 987)**	(7 337 159)	**-**	-
- Depreciation	**(8 938 295)**	(6 014 603)	**-**	-
	(217 269 498)	(196 418 486)	**(14 658 264)**	(10 084 398)
Surplus of income over expenditure before finance costs and taxation	**2 405 322 987**	1 805 395 644	**(115 942 503)**	85 018 497
Interest expense	**-**	-	**-**	-
	2 405 322 987	1 805 395 644	**(115 942 503)**	85 018 497
Surplus of income over expenditure/ (Excess of expenditure over income) for year before taxation	**2 405 322 987**	1 805 395 644	**(115 942 503)**	85 018 497
Income tax expense	**(88 516 073)**	(62 597 627)	**-**	-
Surplus of income over expenditure (excess of expenditure over income) after tax	**2 316 806 914**	1 742 798 017	**(115 942 503)**	85 018 497

APPENDIX II - STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2013

Kwacha

	Pension Scheme		Provident Fund	
	2 014	2013	**2 014**	2 013
ASSETS				
Bank and cash balances	**185 040 548**	87 589 309	**17 235 553**	60 254 975
Financial assets	**7 941 180 543**	5 876 462 526	**-**	45 050
Loans and advances	**1 901 644**	4 751 644	**-**	23 744
Employee receivables	**3 437 033**	4 689 019	**-**	-
Members' contributions receivables	**179 786 954**	97 897 173	**-**	-
Other receivables	**35 629 127**	25 472 426	**1 839 227**	424 051
Current account with ZNPF	**193 753 023**	94 407 111	**-**	-
Inventory	**741 259**	1 051 739	**-**	-
Inventory investments	**390 061 983**	567 021 633	**-**	-
Investment in Stay easy	**17 844 345**	17 844 345	**-**	-
Investment in society house	**443 283 256**	358 589 500	**-**	-
Investment properties	**1 046 108 720**	1 015 489 577	**298 125 028**	298 125 028
Property, plant and equipment	**43 497 225**	24 166 328	**-**	-
TOTAL ASSETS	**10 482 265 660**	8 175 432 330	**317 199 808**	358 872 847
LIABILITIES				
Current account with NAPSA	**-**	-	**193 753 023**	94 407 111
Other payables and accruals	**157 849 318**	166 095 613	**15 207 731**	24 381 156
Claims payable	**13 268 549**	25 021 700	**29 496 977**	45 400 000
Deferred liabilities	**6 799 398**	2 889 031	**-**	-
Current tax liabilities	**31 566 462**	25 450 967	**-**	-
	209 483 727	219 457 311	**238 457 731**	164 188 267
ACCUMULATED FUNDS				
Accumulated funds	**9 801 271 854**	7 617 708 557	**-**	-
Members' funds	**-**	-	**(428 973 438)**	(299 521 787)
Investment revaluation reserve	**471 510 079**	338 266 462	**288 499 258**	288 499 258
Property revaluation reserve	**-**	-	**71 313 796**	71 313 796
Other reserves	**-**	-	**147 875 860**	134 366 714
Annuity account	**-**	-	**26 601**	26 601
	10 272 781 933	7 955 975 019	**78 742 077**	194 684 580
TOTAL LIABILITIES AND ACCUMULATED FUNDS	**10 482 265 660**	**8 175 432 330**	**317 199 808**	358 872 847

APPENDIX III - STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
for the year ended 31 December 2014

Kwacha

Pension Scheme	Investment revaluation reserves	Accumulated funds	Total
Balance at 1 January 2013	152 605 568	6 060 571 434	6 213 177 002
Surplus of income over expenditure for year	-	1 557 137 123	1 557 137 123
Surplus on revaluation of equity	185 660 894	-	185 660 894
Balance at 31 December 2013	338 266 462	7 617 708 557	7 955 975 019
Surplus of income over expenditure for year	-	2 183 563 297	2 183 563 297
Surplus on revaluation of equity	133 243 617	-	133 243 617
Balance at 31 December 2014	**471 510 079**	**9 801 271 854**	**10 272 781 933**

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX III - STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS (CONTINUED)

for the year ended 31 December 2014

Kwacha

Provident Fund

	Annuity account	Members funds	Property revaluation reserve	Investment revaluation reserve	Other reserves	Total
Balance at 1 January 2013	26 601	(231 469 657)	71 313 796	136 950 654	132 844 691	109 666 085
Benefit claims and refunds (note 6)	-	(67 870 963)	-	-	-	(67 870 963)
Maternity and funeral grants	-	(181 167)	-	-		(181 167)
Surplus on revaluation of property, Investment property	-	-	-	-	-	-
Surplus on revaluation of investments	-	-		151 548 604	-	151 548 604
movement in the year	-		-	-		-
Annuities redeemed		-	-	-	-	-
Surplus of income over expenditure for year	-	-	-	-	1 522 023	1 522 023
Amortisation of revaluation surplus	-	-	-	-	-	-
Balance at 31 December 2013	**26 601**	**(299 521 787)**	**71 313 796**	**288 499 258**	**134 366 714**	**194 684 580**
Benefit claims and refunds (note 6)	-	(129 446 225)	-	-	-	(129 446 225)
Maternity and funeral grants	-	(5 424)	-	-		(5 424)
Surplus on revaluation of property, Investment property	-	-	-	-	-	-
Surplus on revaluation of investments	-	-		-	-	-
movement in the year	-		-	-		-
Annuities redeemed		-	-	-	-	-
Surplus of income over expenditure for year	-	-	-	-	13 509 146	13 509 146
Amortisation of revaluation surplus	-	-	-	-	-	-
Balance at 31 December 2014	**26 601**	**(428 973 436)**	**71 313 796**	**288 499 258**	**147 875 860**	**78 742 079**

APPENDIX IV - STATEMENT OF CASH BALANCES

for the year ended 31 December 2014

Pension Scheme	2014	2013
Citibank Zambia Limited	**108 811 564**	14 915 563
Barclay Bank Zambia Limited	**53 285 996**	16 627 061
Zambia National Commercial Bank Plc	**22 434 948**	54 748 892
Stanbic Bank Zambia Limited	**493 883**	593 805
Standard Chartered Bank (Z) Plc	**14 157**	703 988
	185 040 548	87 589 309
Provident Fund		
Zambia National Commercial Bank Plc	**17 235 553**	60 254 974

BRANCH NETWORK

