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.

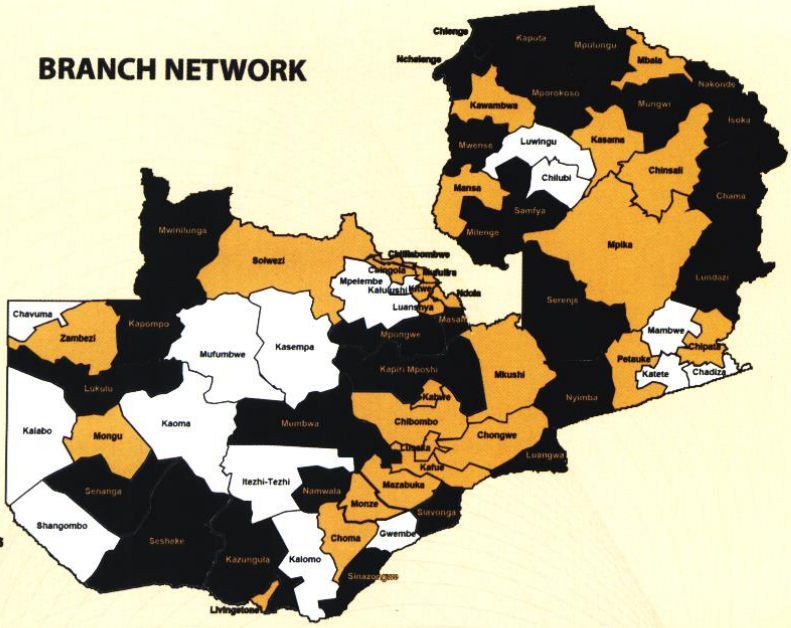
Leadership

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

MOBILE MONTHLY OPERATIONS

CHINGOLA Clen Building P O Box 10324 Tel: +260-2-3111823 / 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: +260-2960053	**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: +260-2-411078/ 411654	**MONZE** Provident House Tel: +260-3-250533/ 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 560170 Tel: +260-6-371123/ 371121	**CHISAMBA** Zambeef Building Fringila P O Box 39 Tel: +260-1-843267/ 843271	**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	**CHILILABOMBWE OFFICE** Plot# 1883, Bushbuck walk KCM-Konkola Integrated Business Unit P O Box 210078 Chililabombwe Tel: +260-211-380829	**CHINSALI OFFICE** Plot # 888 Nkalula Street P O Box 630267 Chinsali Tel: +260-214-565149	*Corporate Affairs Unit* *Tel: +260 211 221 677 / 228 054-8* *LEVY BUSINESS PARK* *Email: info@napsa.co.zm*

NAPSA Pictorial



Artistic impression of the exterior of the Edgar Chagwa Lungu Mall under construction in Kitwe.



Fleet of newly branded motor vehicles unveiled during the launch of eNAPSA.



Stayeasy Hotel, one of NAPSA's investments, conveniently located in Lusaka's Central Business District at levy Business Park



Director General, Mr.Yollard Kachinda signs a visitor's book after a donation to Cheshire Homes.



The Minister of Labour and Social Security Hon. Joyce Nonde Simukoko giving her key note address during the launch of eNAPSA at NAPSA House.



Director Human Resource and Administration, Mrs Betty Meleki (standing in the middle) pose for a photo with H.E, the first Republican President Dr. Kenneth Kaunda (sitted in the middle)when NAPSA donated 500 books entitled "The Zambian Dream."

NATIONAL PENSION SCHEME AUTHORITY

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2016

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Board of Trustees



Mr. Teddy D. Mulonga
Chairperson



Mr. Andrew Chisala
Vice-Chairperson



Ms. Freda Tamba
Member



Mrs. Agness Chakonta
Member



Mr. Barnaby B. Mulenga
Member



Ms. Monde F. Sitwala
Member



Mr. Guy Phiri
Member



Mr. Chingati Msiska
Member



Mrs. Mutale Chilangwa Chisela
Member



Mrs. Catherine Nampasa Chinunda
Member

Senior Management



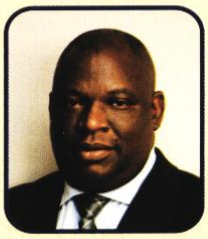
Mr. Yollard Kachinda
Director General



Mrs. Chishala Kapaya Tembo
Director Finance



Mrs. Lydia Sameta Chilumba
Authority Secretary



Mr. Mason Mwiinga
Director Contributions & Benefits



Mr. Phillip Muyumbana
Director Projects



Mrs. Betty Chipika Meleki
Director Human Resources
& Administration



Greg Chola Nsofu
Director Information
Technology



Mr. Ronnie Kamanya
Director Strategy
& Business Performance



Mrs. Dorothy Phiri Soko
Director - Investments
Appointed 12 August 2016



Mr. David Chewe
Director - Investments
Retired 12 August 2016

NATIONAL PENSION SCHEME AUTHORITY

BOARD OF TRUSTEES, EXECUTIVE MANAGEMENT AND PROFESSIONAL ADVISORS

BOARD OF TRUSTEES

Mr. Teddy David Mulonga	-	Chairperson Appointed 10 May 2016
Mr. Andrew Chisala (Employers' representative)	-	Vice-Chairperson Appointed 10 May 2016
Mrs. Mutale Chilangwa Chisela (Bankers Association)	-	Member Appointed 10 May 2016
Mr. Guy Phiri (Employers' representative)	-	Member Appointed 10 May 2016
Mr. Barnaby B. Mulenga (Ministry of Labour and Social Security) (Government representative)	-	Member Appointed 10 May 2016
Ms. Monde Florence Sitwala (Ministry of Finance) (Government representative)	-	Member Appointed 10 May 2016
Mrs. Catherine Nampasa Chinunda (Workers' representative)	-	Member Appointed 10 May 2016
Mr. Chingati Msiska (Workers' representative)	-	Member Appointed 10 May 2016
Mrs. Agness Chakonta (Zambia Association of Pension Funds representative)	-	Member Appointed 10 May 2016
Ms. Freda Tamba (Bank of Zambia representative)	-	Member Appointed 10 May 2016

INTERIM BOARD OF TRUSTEES

Post year end, the Board of Trustees was dissolved on 18th January 2017 and an interim board was appointed on 27th February 2017. The interim board comprises the following:

Mr. Andrew Chisala (Employers' representative)	-	Chairperson
Mr. Barnaby B. Mulenga (Ministry of Labour and Social Security) (Government representative)	-	Member
Mr. Mukuli Chikuba (Ministry of Finance) (Government representative)	-	Member
Mr. Chris Kampamba (Pension Fund representative)	-	Member
Mr. Chingati Msiska (Workers' representative)	-	Member
Ms. Nancy Mwilwa (Bank of Zambia representative)	-	Member

EXECUTIVE MANAGEMENT

Mr. Yollard Kachinda	-	Director General Appointed 5 April 2016
Mr. Mason Mwiinga	-	Director Contributions & Benefits Appointed 2 May 2016
Mrs. Lydia S. Chilumba	-	Authority Secretary

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

EXECUTIVE MANAGEMENT (CONTINUED)

Mr. David Chewe	-	Director Investments Retired 12 August 2016
Mrs. Dorothy Soko	-	Director Investments Appointed 12 August 2016
Mrs. Chishala K. Tembo	-	Director Finance Appointed 1 January 2016
Mr. Phillip Muyumbana	-	Director Projects Appointed 26 May 2016
Mr. Greg Chola Nsofu	-	Director Information Technology
Mrs. Betty C. Meleki	-	Director Human Resource & Administration
Mr. Ronnie Kamanya	-	Director Strategy & Business Performance Appointed 20 May 2016

PROFESSIONAL ADVISORS

LEGAL ADVISORS:

Legal Counsel
National Pension Scheme Authority
Levy Business Park
Corner Kabelenga and Church Roads
P.O. Box R/W 51275
Lusaka

AUDITORS:

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

ACTUARIES:

Government Actuary's Department (UK)
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
P.O. Box 32238
Lusaka

Stanbic Bank Zambia
P.O. Box 31955
Lusaka

HEAD OFFICE:

Levy Business Park
Corner Kabelenga and Church Roads
P.O. Box R/W 51275
Lusaka

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES

The Trustees of the National Pension Scheme Authority have pleasure in presenting their report for the year ended 31 December 2016, 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 on 1st 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 2016 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 13.

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 2016, the Trustees met at least once in each quarter.

2.0 Operational Highlights for the year 2016

2.1 Role in the national economy

2.1.1 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.

2.1.2 The Authority's net assets available for benefits as at 31 December 2016 increased overall by K4.2 billion, from K13.1 billion as at 31 December 2015 to K17.3 billion at 31 December 2016. The Authority recorded an overall positive performance of 55% above budget. The positive performance in 2016 is mainly attributable to:

i. Positive net performance on investments at 108% above the 2015 year end results.

ii. Control on administrative expenditure, which was 16% below budget.

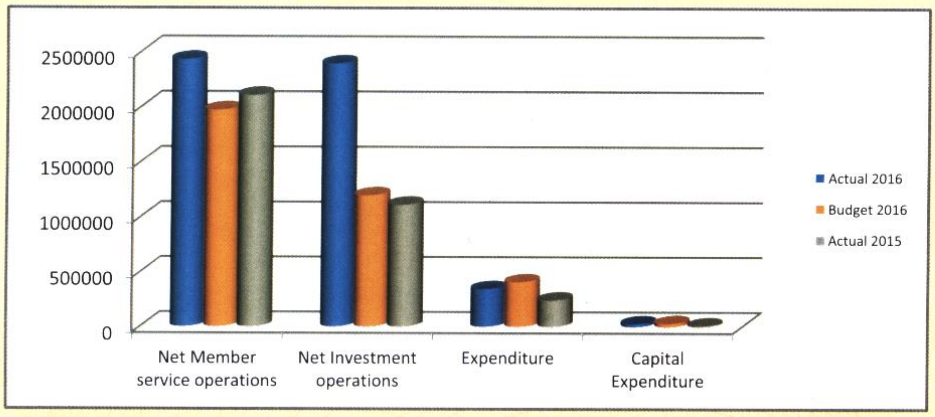
iii. Performance on member service operations. Although the performance was below budget by 1%, contributions received of K2.9 billion exceeded benefits paid by K2.4 billion.

2 Operational Highlights for the year 2016 (Continued)

2.2 Pension Scheme

The overall performance is highlighted in the graph below:

GRAPH 1: OVERALL PERFORMANCE (K'000)



2.3 Member Service Operations

2.3.1 The Scheme collected K2.9 billion in contributions representing an annual increase of 16% from the 2015 figure of K2.5 billion. The increase is more a reflection of the increase in the National Average Earnings, increase in the contribution ceiling and compliance activities than an increase in the national economy. The contribution rate remained at 10% of the employee's gross wages up to the monthly ceiling of K1,687.94, shared equally between the employer and the employee.

Being still a young fund, the Scheme paid all the benefits to qualifying members from fresh funds (member contributions) received during the year.

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	2016	2015	2014	2013	2012
Number of active employers	18 288	16 473	15 552	14 669	13 972
Number of active members	727 833	701 374	672 320	620 132	596 244
Average collection per month (K'million)	243	214	191	146	116

Table 2:

Benefits trend	2016	2015	2014	2013	2012
Funeral Grant per claim (K)	8 440	7 960	7 921	6 696	5 870
Minimum Pension per member (K)	844	796	792	670	587
Highest Pension per member (K)	3 644	4 085	3 419	2 891	2 534
Average monthly pension per member (K)	1 145	1 087	1 038	868	758
Highest Lump sum per claim (K)	282 095	246 636	222 436	185 983	155 850
Number of pensioners	14 497	12 982	11 723	10 083	7 932

2 Operational Highlights for the year 2016 (Continued)

2.4 Investments

2.4.1 The Scheme recorded overall net positive performance of K2,308 million on investment operations representing a positive variance of 115% compared to 2015. The bulk of income was from Treasury operations, mainly net interest income which was K2,355 million in 2016, a positive variance of K1,196 million (108%) in comparison to 2015. The Scheme's favourable performance from its investments was mainly due to a number of factors including the following:

i. Fresh funds of K1.8 billion from contributions.
ii. Increased investment in higher yielding Government securities.
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 38% 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 2016 at fair value is shown in Table 3 below.

Table 3: Investment Portfolio
(Kwacha Thousand)

Net Investments	2016 Net Investments	2016 % of total portfolio	2015 Net Investments	2015 % of total portfolio
Government securities	**8 533 363**	**51%**	5 561 217	44%
Other securities *	**3 498 593**	**21%**	2 601 396	21%
Shares in listed corporations	**1 387 685**	**8%**	1 829 865	15%
Investment properties	**1 906 585**	**11%**	1 613 803	13%
Loans and advances	**762 912**	**5%**	553 541	4%
Housing inventory	**374 776**	**2%**	434 434	3%
Total	**16 463 916**	**100%**	**12 594 257**	**100%**

* Fixed Term Deposit and Corporate Bonds

The Authority has written down the value of the housing inventory by K74.9 million to reflect the net realisable value.

2.4.3 The notable projects at various stages of completion by the Authority, are included in appropriate categories under Table 4. The costs incurred as at 31 December 2016 are highlighted in Table 4 below.

Table 4:
(Kwacha Thousand)

Projects in progress	Type	2016	2015
Re-development of Society House	Hotel, retail and offices	789 001	554 000
Nyumba Yanga Housing	Housing units	-	49 874
North Gate Gardens Housing	Housing units	-	171 029
Freedom Park	Hotel, retail and offices	509 043	-
New District Offices -Kafue	Offices	430	-
New Records Centre	Records Centre	2 520	-
Twin Palm Land	Housing units, retail and offices	1 227	-
Choma Land	Offices	750	-
Total		**1 302 970**	**774 903**

2 Operational Highlights for the year 2016 (Continued)

2.5 Provident Fund

2.5.1 Since inception of the Pension Scheme, the Provident Fund became a depleting fund with no inflow of fresh funds from contributions. As a consequence, the Fund in recent years recorded a decrease in net assets held and experienced liquidity challenges. This necessitated 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 2016, the Pension Scheme spent K263 million to meet obligations of the Provident Fund.

2.5.2 The Fund recorded an overall decrease of K205 million in Net Assets resulting in Net Liabilities of K245 million at end of December 2016. The Fund paid benefits of K165 million in 2016. 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 Liabilities at 31 December 2016 increased from K41 million at beginning of the year to K246 million at 31 December 2016.

2.5.3 The Provident Fund disposed of most of its real estate portfolio to the Pension Scheme with effect from 1 January 2015 on arm's length basis in accordance with the resolution of the Board of Trustees. The proceeds were utilised to meet the Fund's obligations to the members. The Board of Trustees further resolved that the assets and liabilities of the Provident Fund be taken over by the Pension Scheme through merging of the two books of accounts. Consequently the audited positions will be merged as at 1st January 2017.

2.5.4 Zambia National Provident Fund (ZNPF) commenced an action against Duly Motors Zambia Limited in August 1993 before the High Court of Zambia seeking inter alia an order that Plot 8360 Ben Bella Road (hereinafter referred to as "Lusaka House") be transferred to ZNPF based on the understanding that ZNPF owned Lusaka House as they had financed the construction cost of the building and Duly Motors had surrendered the title deeds of Lusaka House to ZNPF. In 2001 the High Court decided the matter in favour of Duly Motors and the Court held inter alia that:

"Duly Motors owned Lusaka House, the parties execute a mortgage deed to secure the cost of the construction of the building in question , and the interest rate on the mortgage be that charged to other borrowers of ZNPF; that all rentals actual and in arrears be part of the mortgage repayment".

Due to period that the matter remained unresolved, ZNPF collected rentals which were in excess of the construction cost. Subsequently after protracted negotiations the Parties finally settled the long outstanding matter through a Court Consent Order in July 2016.

3.0 Staff matters

3.1 The approved staff establishment as at 31 December, 2016 was as shown in Table 5 below.

Table 5 (Staff establishment)

	2016	2015
Approved staff establishment	**535**	528
Actual numbers		
Permanent and pensionable	**519**	378
Directors	**9**	7
Short term contract staff *	**30**	135
Total	**558**	520

* Short term contract staff are not part of the staff establishment

Operational Highlights for the year 2016 (Continued)

3.0 Staff matters (continued)

3.2 The Authority undertook various training interventions for members of staff, as shown in Table 6 below:

Table 6 (Training Interventions)

Course Title	Training Provider	No. of Participants	Location
Africa Investor Conference	Citi Markets and Securities Services	2	International
ISSA Workshop Academy on Contribution Collection and Compliance	ISSA	2	International
ECASSA Training on Delivering Results through Effective Customer Relationship	ECASSA	5	International
Certified Enterprise Risk Management Course	AMC International	2	International
105th International Labour Conference	ILO	2	International
10th ISSA Forum for Technical Commissions	ISSA	1	International
ECASSA Council and Standing Committee Meeting	Gartner	1	International
Social Security and National Insurance Trust (SSNIT) Study Tour	SSNIT	5	International
ECASSA Training on Fundamental of Social Security	ECASSA	2	International
International Social Security Association (ISSA) Academy Workshop on Investment of Social Security Funds	ISSA	3	International
Strategic HRM and Business Partnering	Ferfold Capacity Developers Africa	3	International
Social Security Academy	ILO	2	International
Certified Strategic Human Resource Professional Training	Foresight Learning Solutions	1	International
Gartner IT Expo Africa	IT Executive Events (Pty) Limited	2	International
SADC Labour Management Conference	Intelligence Transfer Centre	5	International
World Social Security Forum	ISSA	5	International
Siebel Integration Training and Siebel Enterprise Integration Manager Training	Oracle University	6	International
International Balanced Scorecard Training	ZISC Holdings Ltd in conjuction with International Balanced Scorecard Institute	30	Local
2nd Annual African Investment Fund and Asset Management 2016 Regional Forum	African Investment Fund and Asset Management	3	Local
Customer Services Workshop held in Lusaka from 16th to 18th August, 2016	In-house	28	Local
Customer Services Workshop held in Kitwe from 23rd to 25th August, 2016	In-house	32	Local
Inspectors Training held in Lusaka from 3rd to 4th October, 2016	In-house	32	Local
Inspectors Training held in Ndola from 27th to 28th October, 2016	In-house	33	Local
Balanced Scorecard Training	In-house	550	Local
Workshop on Public Procurement	Zambia Institute of Purchasing and Supply (ZIPS)	5	Local

The Authority held various other local courses and workshops during the year. A good number were conducted by external providers and professional bodies whilst some were conducted in-house.

Operational Highlights for the year 2016 (Continued)

4.0 Performance Management System

4.1 Balanced Scorecard

4.1.1 The Authority introduced the Balanced Scorecard which is a strategy development and execution tool. The aim was to strengthen the alignment of the Authority objectives and performance to that of the directorates/departments and individual staff.

4.1.2 In order to manage the transition from the old Performance Management System to the Balanced Scorecard, the Authority facilitated the training for the Board of Trustees, Senior Management and the rest of the staff across the country on the use of the Balanced Scorecard. The objective of the training was to strengthen strategy development and performance management.

4.1.3 A survey was conducted across the country to ascertain if staff understood the Balanced scorecard concept and were receptive to the change. The feedback received was positive with 99% of the surveyed staff indicating a positive response. The response set the tone for full implementation of the Balanced scorecard in 2017.

5.0 Information Technology

5.1 NAPSA Integrated System (NIS)

5.1.1 The Authority embarked on the implementation of an Enterprise Resource Planning system through the NAPSA Integrated System (NIS) Project in January 2015 with a projected implementation period of 18 months.

5.1.2 NAPSA previously implemented stand-alone business solution packages to manage the day-to-day operations of the Scheme, such as the Contributions System, Benefits Payments System (BPS) , Sun Systems for Financials, People Ware for Human Resources and Payroll, Excel Spread sheets for Investments and the Document Management System (DMS) for benefits payments. Over time and with increased business activity, the Authority encountered operational challenges owing to the stand-alone nature, lack of integration and the lack of real time information sharing of these systems.

5.1.3 In order to counter the challenges stated above and in line with the 2013-2017 Strategic Plan, the Authority procured an Integrated Management Information System (the Oracle Enterprise Resource Planning (ERP) and Pension Administration and Business Intelligence Solution).

5.1.4 The Project was to be delivered in a phased approach over an 18 month period up to mid-2016 but was extended to 31st December 2016 with support up to 31st March 2017.

5.1.5 The project faced a number of challenges with data migration that contributed to the delayed completion. All modules had gone live by 31st December 2016 and fully in use except for the contributions module that needed integration with the newly implemented eNapsa portal for remittance of member returns.

5.2 Napsa Online

5.2.1 The Authority has embarked on a roadmap to provide online services taking into account global technology utilisation trends. To this effect during the year e-NAPSA, an online Portal, was implemented.

5.2.2 The Employers' Portal is now being used to upload and validate NAPSA returns, register employees and to update employee details to the extent that the Authority allows. Additional functionality to allow for integration with Commercial Banks is underway and is scheduled for completion in the second Quarter of 2017.

6.1 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, cultural and traditional ceremonies.

6.2 In the year 2016, the Authority made donations amounting to K440,000.

7.0 Statement on Corporate Governance

7.1 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. In 2016, the Authority established an Integrity Committee.

7.2 In the year under review, the Board of Trustees met fifteen (15) times and also undertook local tours of the Authority's projects.

7.3 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.

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

7.5 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 and 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.

8.0 Committees

8.1 Audit, Risk and Compliance Committee

8.1.1 The Audit Committee was composed of the following Members:

i. Ms. Freda Tamba (Chairperson)
ii. Ms. Monde F. Sitwala
iii. Ms. Susan Wambulawae*
iv. Mr. Ronald Chibesakunda*
v. Mr. Mwenya A. Mukupa *

8.1.2 In the year 2016, the Committee met five (5) times to consider audit, risk and compliance matters and make appropriate recommendations to the Authority.

8.2 Finance & Investments Committee

8.2.1 The Finance & Investments Committee was composed of the following Members:

i. Mr. Guy Phiri (Chairperson)
ii. Ms. Kutemba Konga *
iii. Mr. Barnaby B. Mulenga
iv. Mr. Katema Mutale*
v. Ms. Sherry Thole*
vi. Mr. Chingati Msiska

8.2.2 In the year 2016, the Committee met ten (10) times to review financial performance, consider investment proposals, make investment decisions and propose appropriate recommendations to the Authority.

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

8.0 Committees (Continued)

8.3 Technical Committee

8.3.1 The Technical Committee was composed of the following Members:

i. Mrs. Agnes Chakonta (Chairperson)
ii. Mr. Barnaby B. Mulenga
iii. Dr. Velepi Mtonga*
iv. Mr. Chris C. Kampamba*
v. Mrs. Christabel M. Banda*
vii. Mr. Trevor K. Kaunda*

8.3.2 In the year 2016, the Committee met four (4) times to consider matters relating to member service operations and make appropriate recommendations to the Authority.

8.4 Staff Affairs Committee

8.4.1 The Staff Affairs Committee was composed of the following members:

i. Mr. Andrew Chisala (Chairperson)
ii. Mrs. Catherine Chinunda
iii. Mrs. Mutale C. Chisela
iv. Mr. Peter Bwalya Chupa*

8.4.2 In the year 2016, the Committee met seven (7) times to consider matters pertaining to staff and make appropriate recommendations to the Authority.

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

8.5 Attendance of meetings

8.5.1 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	15	15			
Finance and Investments Committee					
Mr. Guy Phiri	15	8	10	8	(i)
Mr. Barnaby B. Mulenga	15	11	10	9	
Mr. Chingati Msiska	15	12	10	10	
Mr. Katema Mutale	*		10	10	
Ms. Kutemba Konga	*		10	8	
Ms. Sherry Thole	*		10	9	
Audit Committee					
Ms. Freda Tamba	15	13	5	5	
Ms. Monde F. Sitwala	15	13	5	5	
Ms. Susan Wambulawae	*		5	3	
Mr. Ronald Chibesakunda	*		5	3	
Mr. Mwenya A. Mukupa	*		5	1	(ii)
Staff Committee					
Mr. Andrew Chisala	15	14	7	7	
Mr. Peter B. Chupa	*		7	7	
Mrs. Catherine Chinunda	15	11	7	6	
Mrs. Mutale C. Chisela	15	11	7	6	
Technical Committee					
Mrs. Agnes Chakonta	15	14	5	4	
Mr. Barnaby B. Mulenga	15	11	5	4	
Mr. Trevor K. Kaunda	*		5	4	
Dr. Velepi Mtonga	*	*	5	2	
Mr. Chris C. Kampamba	*	*	5	4	
Mrs. Christabel M. Banda	*	*	5	3	

Notes

* Not applicable.

i. Eligible to attend Board meetings after July 2016

ii. Appointed at the end of Quarter 3 of 2016

9.0 Executive management

9.1 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.

9.2 Executive Management comprised the Director General, supported by Eight (8) Directors who each head a Directorate.

9.3 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.

9.4 The Board of Trustees 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 14 and 15.

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 2016 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.

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Lusaka
Zambia

Deloitte & Touche
Registered Auditors
Abacus Square
Plot No 2374/B
Thabo Mbeki Road
Lusaka
Zambia

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
National Pension Scheme Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Pension Scheme Authority, set out on Pages 16 to 48 which comprise the statement of net assets available for benefits as at 31 December 2016, the statement of changes in net assets available for benefits and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Pension Scheme Authority as at 31 December 2016, 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.

Basis for Opinion

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

Other Information

The Trustees are responsible for the other information. The other information comprises the Report of the Board of Trustees, as required by the National Pension Scheme Act No. 40 of 1996, which we obtained prior to the date of this auditor's report and the information shown in the appendices. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the Financial Statements

The Trustees are responsible for the preparation of financial statements that present a fair view 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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Partners: C Chungu F Nchimunya AJ Tembo H Mulenga A Njovu

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Deloitte & Touche

DELOITTE & TOUCHE

C. Chungu

C. CHUNGU
PARTNER
AUD/F000292

Date: 22 May 2017

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended 31 December 2016

Kwacha

	Notes	Pension Scheme 2016	2015	Provident Fund 2016	2015
Net assets available at beginning of the year		**13 108 359 563**	10 272 781 933	**(40 535 992)**	78 742 077
Member service operations:					
Contributions from members		**2 934 587 755**	2 538 654 794	**-**	-
Pension claims and withdrawals	6	**(270 379 226)**	(244 975 889)	**(165 678 650)**	(122 135 619)
Normal retirement pensions	7	**(222 850 787)**	(178 787 191)	**-**	-
Funeral grants		**(14 770 654)**	(12 116 836)	**(1 728)**	(3 846)
		2 426 587 088	2 102 774 878	**(165 680 378)**	(122 139 465)
Investment operations:					
Investment income	10	**2 355 184 830**	1 483 641 190	**-**	2 677 701
Change in fair value of:					
Government securities	13	**543 614 801**	(242 589 875)	**-**	-
Listed securities	15	**(442 179 464)**	(129 809 409)	**-**	-
Investment property	21	**(240 169)**	60 995 597	**-**	-
Loss on sale of properties		**(2 195 780)**	-	**-**	-
Impairment loss on housing inventory	20	**(74 851 325)**			
Handling fees		**(23 338 146)**	(11 932 037)	**-**	-
Write back on other receivables	16	**26 089 260**			
Provision for bad debts net of recoveries	16 -18	**(69 963 092)**	(69 399 433)	**-**	393 948
Net exchange (losses) gains	19	**(3 650 250)**	21 160 004	**-**	-
		2 308 470 665	1 112 066 037	**-**	3 071 649
Management expenses:					
Employee benefit expenses	11	**(212 283 305)**	(150 632 187)	**-**	-
Administration expenses	12	**(119 737 188)**	(81 173 028)	**(39 365 712)**	(210 253)
Depreciation expense	22	**(13 731 240)**	(11 907 943)	**-**	-
Gain on disposal of equipment		**903 778**	401 746	**-**	-
		(344 847 955)	(243 311 412)	**(39 365 712)**	(210 253)
Income tax expense	8	**(216 800 936)**	(135 951 873)	**-**	-
Increase (decrease) in net assets		**4 173 408 862**	2 835 577 630	**(205 046 090)**	(119 278 069)
Net assets (liabilities) available at end of the year		**17 281 768 425**	13 108 359 563	**(245 582 082)**	(40 535 992)

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

at 31 December 2016

Kwacha

	Notes	Pension Scheme 2016	2015	Provident Fund 2016	2015
NET ASSETS (LIABILITIES)		**17 281 768 425**	13 108 359 563	**(245 582 082)**	(40 535 992)
Represented by:					
ASSETS					
Investments					
Government securities	13	**8 533 363 338**	5 561 217 424	**-**	-
Other securities	14	**3 498 593 484**	2 601 396 277	**-**	-
Equity investments	15	**1 387 685 415**	1 829 864 879	**-**	-
Loans and advances	16	**789 001 094**	553 540 922	**-**	-
Housing inventory	20	**374 776 313**	434 433 733	**-**	-
Investment properties	21	**1 905 606 302**	1 613 803 045	**15 535 457**	15 775 626
		16 489 025 946	12 594 256 280	**15 535 457**	15 775 626
Bank and cash balances		**558 853 142**	577 465 079	**17 855 897**	16 266 449
Employee receivables	17	**4 411 240**	2 210 042	**-**	-
Other receivables	18	**68 743 908**	37 272 164	**-**	-
Consumable stores	20	**233 971**	1 428 244	**-**	-
Contributions receivable	27	**206 719 699**	121 727 172	**-**	-
Current account with ZNPF		**263 267 499**	24 620 592	**-**	-
Property and equipment	22	**120 812 561**	70 397 991	**-**	-
		1 223 042 020	835 121 284	**17 855 897**	16 266 449
TOTAL ASSETS		**17 712 067 966**	13 429 377 564	**33 391 354**	32 042 075
LIABILITIES					
Current account with NAPSA		**-**	-	**(263 267 499)**	(24 620 592)
Income tax liabilities	8	**(127 624 440)**	(68 126 027)	**-**	-
Provisions for claims payable	24	**(12 795 188)**	(14 358 185)	**-**	(29 398 178)
Other payables and accrued expenses	25	**(286 153 468)**	(232 480 373)	**(15 705 937)**	(18 559 297)
Deferred liabilities	26	**(3 726 445)**	(6 053 416)	**-**	-
TOTAL LIABILITIES		**(430 299 541)**	(321 018 001)	**(278 973 436)**	(72 578 067)
NET ASSETS (LIABILITIES)		**17 281 768 425**	13 108 359 563	**(245 582 082)**	(40 535 992)

The responsibilities of the Trustees with regard to the preparation of the financial statements are set out on page 13. The financial statements on pages 12 to 48 were approved by the Board of Trustees on 31 March 2017 and were signed on its behalf by:

TRUSTEE **TRUSTEE**

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Notes	Pension Scheme 2016	2015	Provident Fund 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		**K**	K	**K**	K
Increase (decrease) in net assets		**4 173 408 862**	2 835 577 630	**(205 046 090)**	(119 278 069)
Adjusted for:					
Depreciation expense	21	**13 731 240**	11 907 943	**-**	-
Income tax expense	8	**216 800 936**	135 951 873	**-**	-
Dividend income		**(22 698 268)**	(33 395 854)	**-**	-
Investment income	10	**(2 355 184 830)**	(1 483 641 190)	**-**	(2 677 701)
Impairment loss on receivables	16 -18	**69 963 092**	70 214 474	**-**	387 690
Recoveries of bad debts	17,18	**(39 521 551)**	(3 535)	**-**	-
Write back on other receivables	16	**26 089 260**	-	**-**	(17 587 250)
Change in fair value of investment property	21	**(240 169)**	60 995 597		-
Impairment loss on housing inventory		**(74 851 325)**			
Change in fair of value of Government securities	13	**(543 614 801)**	242 589 875	**-**	-
Change in fair value of listed securities	15	**442 179 464**	129 809 409	**-**	-
Gain on disposal of property and equipment		**(903 778)**	(401 746)	**-**	-
		1 905 158 132	1 969 604 476	**(205 046 090)**	(139 155 330)
Movement in working capital:					
Increase in Government securities		**(2 428 531 113)**	(2 113 561 225)	**-**	-
(Increase) decrease in other securities		**(897 197 207)**	262 299 036	**-**	-
Increase in listed securities		**-**	(554 590 787)	**-**	-
Increase in loans and advances		**(261 549 432)**	(134 445 282)	**-**	-
(Increase) decrease in employee receivables		**(2 201 198)**	1 226 991	**-**	-
(Increase) decrease in contribution receivables		**(84 992 527)**	58 059 782	**-**	-
Decrease in deferred liabilities		**(2 326 971)**	(745 982)	**-**	-
(Increase) decrease in receivable and other receivables		**(300 560 192)**	123 367 715	**-**	19 038 787
Decrease (increase) in inventories		**60 851 693**	(45 058 735)	**-**	-
Increase (decrease) in other payables and accruals		**126 961 423**	75 720 691	**206 395 369**	(165 879 664)
Cash (used in) generated from operations		**(3 789 545 524)**	(2 327 727 796)	**206 395 369**	(146 840 877)
WHT suffered at source	8	**(157 302 523)**	(99 392 308)	**-**	-
Net cash (utilised in) generated from operations		**(2 041 689 915)**	(457 515 628)	**1 349 279**	(285 996 207)

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2016

	Notes	Pension Scheme 2016 K	2015 K	Provident Fund 2016 K	2015 K
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property and equipment	21	**(66 726 021)**	(39 032 985)	**-**	-
Proceeds on disposal of property and equipment		**3 483 989**	626 022	**-**	-
Proceeds on disposal of investment properties		**-**	-	**240 168**	282 349 402
Purchase of investment properties		**(291 563 088)**	(628 689 922)	**-**	-
Dividends received		**22 698 268**	33 395 854	**-**	-
Investment income	10	**2 355 184 830**	1 483 641 190	**-**	2 677 701
Net cash generated from investing activities		**2 023 077 978**	849 940 159	**240 168**	285 027 103
Net cash (outflows) inflows		**(18 611 937)**	392 424 531	**1 589 448**	(969 104)
Cash and cash equivalents at beginning of the year		**577 465 079**	185 040 548	**16 266 449**	17 235 553
Cash and cash equivalents at end of the year		**558 853 142**	577 465 079	**17 855 897**	16 266 449
Comprising:					
Bank and cash balances		**558 853 142**	577 465 079	**17 855 897**	16 266 449

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

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 2.

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

- *Amendments to IFRSs that are mandatorily effective for the current year*

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

- *Annual Improvements to IFRSs 2012 – 2014 Cycle*

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (ie the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of amendments has had no impact on the disclosures or amounts recognised in the Authority's financial statements.

- *Amendments to IAS 1 Disclosure Intitative*

The application of amendments has had no impact on the disclosures or amounts recognised in the Authority's financial statements.

2.2 Standards and Interpretations 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:

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

Effective date	Standard, Amendment or Interpretation
1 January 2018	**IFRS 9 *Financial Instruments***

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

The Trustees of the Authority anticipate that the application of IFRS 9 in the future may have a material 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 the Authority undertakes a detailed review.

1 January 2018 **IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.This core principle is delivered in a five-step model framework:

i) Identify the contract(s) with a customer
ii) Identify the performance obligations in the contract
iii) Determine the transaction price
iv) Allocate the transaction price to the performance
v) Recognise revenue when (or as) the entity satisfies

1 January 2019 **IFRS 16 *Leases***

IFRS 16 provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. The Trustees are currently evaluating the impact this new standard may have on the financial statements.

I January 2017 **Amendments to IAS 7 Disclosure Initiative**

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

This Standard and Interpretation in future periods will have no significant impact on the financial statements of the Authority.

The amendments to IFRS 5 introduce specific guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa).

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

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.

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.

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:

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 2016 to the 10th of January 2017.

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.

3.5 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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2016 to be negligible and for purpose of the financial statements have been assigned a nil value.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
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.

An 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.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.14.1 Financial assets

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.

3.14.1.1 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.

3.14.1.2 Held to maturity investments

Held to maturity investments are derivative financial assets with fixed or determinable payments and fixed maturity dates that the Authority has the positive intent and ability to hold to maturity. These include short term deposits held with the commercial banks. Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest method less any impairment.

3.14.1.3 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14.1.3 Available-for-sale financial assets (AFS financial assets)

Listed redeemable notes held by the Authority that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Authority also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the Trustees consider that fair value can be reliably measured). Changes in the carrying amount of AFS monetary financial assets relating to changes in interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Authority's right to receive the dividends is established.

3.14.1.4 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.

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 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14.1.5 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.

3.14.2 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.

3.14.2.1 Derecognition of financial liabilities

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

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

4.1 Critical judgments in applying accounting policies (continued)

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.

4.1.2 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.

Kwacha

5 ACTUARIAL DEFICIT

In accordance with Section 44 (2) of the National Pension Scheme Act No. 40 of 1996, the Scheme's actuarial obligation is required to be assessed on a tri-annual basis by independent actuaries. The last actuarial valuation was carried out as at 31 December 2014. This was a combined valuation of the Provident Fund and Pension Scheme necessitated by the Authority's decision for the Pension Scheme to take over the liabilities of the Provident Fund. There was need to ascertain the financial impact on the Scheme. The actuarial valuation report is available for examination by the members at the National Pension Scheme Authority Head office.

The following results were obtained from the actuarial valuation:

Pension Scheme (Kwacha billions)	**Long records***	**Short records***
Value of benefits accrued	22	18
Assets	10	10
Deficit	**11**	**7**

The key assumptions used in the valuation were:

	%
Valuation interest rate	13
Long term inflation rate	8
Expected rate of return on Scheme assets	Earning +5%
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 actuarial deficit is of **K11.2 billion** based on long records and **K7.4 billion** based on short records

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.

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.

Long records

	Earnings +5% K'Billion	**Earnings-2.5% K'Billion**	**Earnings -10% K'Billion**
Value of scheme liabilities	21	147	5020
Assets	10	10	10
Deficit	**(11)**	**(137)**	**(5 010)**
Fund status	47.8%	7.0%	0.2%

Kwacha

5 ACTUARIAL DEFICIT (CONTINUED)

Short records

	Earnings +5% K'Billion	Earnings-2.5% K'Billion	Earnings -10% K'Billion
Value of scheme liabilities	17.7	105.9	3 627.4
Assets	10.3	10.3	10.3
Deficit	**(7)**	**(96)**	**(3 617)**
Fund status	57.9%	9.7%	0.3%

The Scheme is designed to be financed on a scaled premium basis and is therefore not fully financed. However, the Scheme is still a young scheme and benefits expenditure can be expected to increase significantly as additional members (with longer contribution records) draw their benefits. The break-even contribution rate is projected to remain below the current rate of 10% for the next 20 to 30 years under the short and long records scenarios.

6 PENSION CLAIMS AND WITHDRAWALS

	2016	2015
Pension Scheme		
Retirement refund	**72 039 244**	69 726 971
Survivors refund	**30 295 315**	22 656 596
Refund of contributions	**1 464 033**	2 217 786
Invalidity refund	**462 755**	556 150
	104 261 347	95 157 503
Indexed payments	**158 056 926**	139 616 749
Interest on refund	**8 060 953**	10 201 637
	166 117 879	149 818 386
	270 379 226	244 975 889

The indexed payment is meant to help a member's income maintain a certain level of buying power in line with the determined wage inflation. In addition to the indexation, Interest is paid on the Members' contributions using the rate as determined by the Authority.

From 2006, the Authority has been paying pensions to members who qualified under the reduced criteria (sliding scale). As from February 2015, the Scheme has fully insured members who are now qualifying based on a full criteria of 180 months of contributions. Additionally, members who reach the retirement age but have not made 180 contributions are given a lumpsum payment comprising of principal contributions, indexation amount and interest.

Provident Fund

Interest on benefits	**162 538 831**	116 592 359
Retirement	**2 462 449**	5 015 455
Survivors	**367 057**	261 332
Age	**257 803**	234 230
Home ownership	**44 743**	25 706
Disability	**6 978**	6 517
Savings	**789**	20
	165 678 650	122 135 619

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

Kwacha

7 NORMAL RETIREMENT PENSIONS

In accordance with the NPS Act No.40 of 1996 and amendment Act no.7 of 2015, members qualify for payment of pension following the attainment of pensionable age as follows;

Normal retirement	60 years
Early retirement	55 years
Late retirement	65 years
Normal retirement (accrued rights)	55 years

The pension payments made in 2016 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 Scheme on 1 February 2000 as well as those that made 180 contributions by February 2016.

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

The table below 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.

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 contribute a minimum of 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 from 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.

Pension Scheme	**2016**	2015
Withholding tax @ 15% on interest on TBs and Government bonds	**216 800 936**	135 951 873
Included under current liabilities		
Payable in respect of previous year	**68 126 027**	31 566 462
Payable in respect of the current year	**216 800 936**	135 951 873
	284 926 963	167 518 335
Withholding tax suffered at source	**(157 302 523)**	(99 392 308)
Current tax liabilities	**127 624 440**	68 126 027

Kwacha

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 2016, if the market prices had strengthened by 10%, increase in net assets for the year would have been **K138,768,541** higher (2015: K182,805,246) mainly as a result of equity investments.

At 31 December 2016, if the market prices had weakened by 10%, decrease in net assets for the year would have been **K 138,768,541** lower (2015: K182,805,246) 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 2016, 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 **K 9,325,850** higher/lower (2015: K 5,102,001 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 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.

The Authority's maximum exposure to credit risk at 31 December 2016 is as follows:

	2016	2015
Pension Scheme		
Government securities (note 13)	**8 533 363 338**	5 561 217 424
Fixed term deposits (note 14)	**3 384 901 859**	2 557 561 636
Equity investments (note 15)	**1 387 685 415**	1 829 864 879
Cash and cash equivalents	**558 853 142**	577 465 079
Other bonds (note 14)	**113 691 625**	43 834 641
Other receivables (note 18)	**68 743 908**	37 272 164
	14 047 239 287	10 607 215 823

Collateral is held on certain fixed term deposits.

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

Provident Fund

Other receivables (note 18)	-	1 839 227

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):

Debtors due within 30 days	**114 451 982**	88 056 270
Provision for bad debts	**(107 445 944)**	(77 004 404)
	7 006 038	11 051 866

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.

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 2016			
Other payables and accrued expenses	**286 153 468**	-	**286 153 468**
Deferred liabilities	**3 726 445**	-	**3 726 445**
At 31 December 2015			
Other payables and accrued expenses	**232 480 373**	-	**232 480 373**
Deferred liabilities	**6 053 416**	-	**6 053 416**

	Less than 1 year	Between 1 and 2 years	Total
Provident Fund			
At 31 December 2016			
Payables	**15 705 937**	-	**15 705 937**
At 31 December 2015			
Payables	**18 559 297**	-	**18 559 297**

FAIR VALUE MEASUREMENTS

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).

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2016

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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	2016	2015
Listed securities	Level 1	(i)	**1 385 872 999**	1 828 052 463
Government bonds	Level 2	(ii)	**4 868 874 829**	4 106 317 718
Treasury bills	Level 2	(ii)	**3 664 488 509**	1 454 899 706
Other stocks and bonds	Level 2	(ii)	**113 691 625**	43 834 641

(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 2016, the Authority did not have financial liabilities measured at fair value (2015: nil).

FINANCIAL ASSETS	**2016**		2015	
Pension Scheme	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Loans and receivables				
Loans and advances	**789 001 094**	**789 001 094**	553 540 922	553 540 922
Contribution receivables	**206 719 699**	**206 719 699**	121 727 172	121 727 172
Bank and cash balances	**558 853 142**	**558 853 142**	577 465 079	577 465 079
Other receivables*	**63 085 279**	**63 085 279**	30 267 373	30 267 373
Employee receivables	**4 411 240**	**4 411 240**	2 210 042	2 210 042
	1 622 070 454	**1 622 070 454**	1 285 210 588	1 285 210 588

* This amount excludes prepayments and VAT receivable

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2016

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9 FINANCIAL RISK MANAGEMENT (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

Fair value hierarchy as at 31 December 2016

	Level 1	Level 2	Level 3	Total
Financial assets				
Government securities	**-**	**8 533 363 338**	**-**	**8 533 363 338**
Other securities	**-**	**113 691 625**	**3 384 901 859**	**3 498 593 484**
Equity Investments	**1 385 872 999**	**-**	**17 844 345**	**1 403 717 343**
Loans and advances	**-**	**-**	**789 001 094**	**789 001 094**
Bank and cash balances	**-**	**-**	**558 853 142**	**558 853 142**
Contributions receivables	**-**	**-**	**206 719 699**	**206 719 699**
Other receivables*	**-**	**-**	**63 085 279**	**63 085 279**
Employee receivables	**-**	**-**	**4 411 240**	**4 411 240**
Total	**1 385 872 999**	**8 647 054 963**	**5 024 816 658**	**15 057 744 619**

Fair value hierarchy as at 31 December 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Government securities	-	5 561 217 424	-	5 561 217 424
Other securities	-	43 834 641	2 557 561 636	2 601 396 277
Equity investments	1 828 052 463	-	17 844 345	1 845 896 808
Loans and advances	-	-	553 540 922	553 540 922
Bank and cash balances	-	-	577 465 079	577 465 079
Contributions receivables	-	-	121 727 172	121 727 172
Other receivables*	-	-	30 267 373	30 267 373
Employee receivables	-	-	2 210 042	2 210 042
Total	1 828 052 463	5 605 052 065	3 860 616 569	11 293 721 097

* This amount excludes prepayments and VAT receivable

At 31 December 2016, the Authority did not have financial liabilities measured at fair value (2015: nil).

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10 INVESTMENT INCOME	2016	2015
Pension Scheme		
Gross Interest income on Government Bonds	**788 518 310**	769 666 633
Interest income on fixed term deposits	**758 115 912**	397 222 841
Gross Interest income on treasury bills	**690 106 581**	168 629 289
Interest on cash deposits	**47 808 679**	48 815 213
Net rental income	**32 861 137**	60 129 633
Dividend from equities	**22 698 268**	33 395 854
Interest income on other stocks and bonds	**14 560 524**	4 109 718
Sundry income	**372 097**	1 262 193
Interest income on loans	**143 322**	212 969
Management fees recoverable from ZNPF	**-**	196 848
	2 355 184 830	1 483 641 190
Provident Fund		
Interest income on fixed term deposits		2 515 613
Net rental income	**-**	162 088
	-	2 677 701

11 EMPLOYEE BENEFIT EXPENSES		
Salaries and other staff benefit costs	**198 980 978**	141 879 735
Pension costs	**13 302 326**	8 752 452
	212 283 305	150 632 187

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 2014 for the defined benefit scheme, wherein the Scheme recorded a surplus of K679,093.

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.

The last actuarial valuation was completed for the year ended 31 December 2014 and the report was issued in August 2015 by Alexander Forbes Financial Services (EA) Limited, an independent firm of actuaries, using the Attained Age Method. According to the valuation at that date, the actuarial present value of promised retirement benefits was:

Pension plan assets	**12 839 488**
Liability to members	**12 160 395**
Surplus	**679 093**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Valuation method	**Attained Age Method**
Rate of interest	12% per annum
Rate of pension increase	5% per annum
Rate of revaluation in deferment	5% per annum
Mortality	
- Pre- retirement	A49/52 Ultimate
- Post retirement	A(55) Males/ females ultimate table
Number of members	25

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11 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

On the basis of the Attained Age Method of valuation, the rate of contribution required to meet the cost of future accrual of benefit in respect of DB Scheme members is estimated at 20.3% of DB Scheme members' total Pensionable Salaries which, net of members' contributions at 10%, gives the Sponsor's required contribution rate of 10.3% of DB Scheme members' Pensionable Salaries. This is before any adjustments is made for the actuarial surplus disclosed by the actuarial valuation.

The plan typically exposes the Company to actuarial risks such as interest rate risk, salary risk and mortality risk. Increases or decreases in these acturial risks may result in an increase or decrease of the actuarial surplus.

The actuarial valuation results of the DB Scheme are sensitive to the actuarial assumptions made. The actuarial assumptions reflect one view of likely future events and there is therefore uncertainty as to how the financial position of the DB Scheme will develop in future. There is no guarantee that the assumptions made will be borne out in practice and the expectation is that the DB Scheme's actual experience will from time to time be better or worse than that assumed.

12 ADMINISTRATIVE EXPENSES

	2016	2015
Pension Scheme		
Computer expenses	**21 988 835**	8 631 911
Office and related expenses	**14 819 593**	5 589 525
Rent	**14 116 983**	9 754 414
Other expenses	**12 399 349**	5 755 793
Staff welfare & training	**10 745 151**	7 487 811
Sports expenses	**9 079 475**	6 950 223
Travelling expenses	**8 736 242**	7 328 997
Advertising and promotion	**5 318 558**	5 654 058
Motor vehicle expenses	**5 150 824**	5 417 850
Authority Expenses	**4 506 383**	4 647 334
Printing and stationery	**3 911 094**	2 679 332
Telephone and postage	**2 632 709**	2 315 236
Legal Fees	**2 198 153**	2 142 520
Audit fees	**1 562 973**	795 200
Property Insurance	**1 294 585**	1 036 712
Bank charges	**1 276 281**	988 688
Actuarial professional fees	**-**	2 562 424
Rental Charges payable to ZNPF	**-**	1 435 000
	119 737 188	81 173 028
Provident Fund		
Legal settlement and costs	**39 356 962**	-
Bank charges	**8 750**	13 404
Management fees payable to NAPSA	**-**	196 849
	39 365 712	210 253

The legal settlement costs relates to the amount in excess of the provision for settlement of legal obligations to Duly Motors (Z) Ltd.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2016

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		2016	2015
13	**GOVERNMENT SECURITIES**		
	Pension Scheme		
	Government bonds	**4 868 874 829**	4 106 317 718
	Treasury bills	**3 664 488 509**	1 454 899 706
		8 533 363 338	5 561 217 424
13.1	**Government bonds**		
	At beginning of year	**4 106 317 718**	3 528 792 815
	Purchases	**1 946 557 611**	1 841 734 825
	Bonds matured during the year	**(1 549 515 469)**	(922 255 119)
	Change in fair value	**365 514 969**	(341 954 803)
	At end of year	**4 868 874 829**	4 106 317 718
	Maturity analysis:		
	Pension scheme		
	2 to 5 year Government bonds	**3 178 670 719**	2 931 263 371
	7 to 15 year Government bonds	**1 690 204 110**	1 175 054 348
		4 868 874 829	4 106 317 718
	The Authority holds Government bonds with varying interest rates between 8% and 15%. Interest is receivable semi annually. The bonds mature on diverse dates between January 2017 and December 2026.		
13.2	**Treasury bills**		
	At beginning of year	**1 454 899 706**	161 453 259
	Purchases	**4 172 477 097**	1 987 302 908
	Change in fair value	**178 099 832**	99 364 928
	Treasury bills matured during the year	**(2 140 988 125)**	(793 221 390)
	At end of year	**3 664 488 509**	1 454 899 706
13.3	**Total Government securities**	**8 533 363 338**	5 561 217 424
13.4	**Fair value movement**		
	Government bonds	**365 514 969**	(341 954 803)
	Treasury bills	**178 099 832**	99 364 928
		543 614 801	(242 589 875)
14	**OTHER SECURITIES**		
	Pension Scheme		
	Fixed term deposits	**3 384 901 859**	2 557 561 636
	Other stocks and bonds	**113 691 625**	43 834 641
		3 498 593 484	2 601 396 277

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2016

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14 OTHER SECURITIES (CONTINUED)	**2016**	2015
14.1 Fixed term deposits		
Pension Scheme		
Barclays Bank Zambia Plc	**648 811 431**	110 538 955
Stanbic Bank Zambia Limited	**544 473 424**	349 713 429
Standard Chartered Bank Zambia Plc	**488 275 487**	273 445 198
Finance Bank Zambia Limited	**304 301 948**	460 023 900
Zambia National Commercial Bank Plc	**288 254 291**	386 877 169
Investrust Bank Plc	**196 467 618**	204 377 172
BancABC Limited	**192 469 253**	276 686 152
First National Bank Limited	**172 737 254**	144 829 293
Cavmont Capital Bank Limited	**130 988 466**	64 919 219
Ecobank Limited	**118 344 949**	90 565 015
Indo-Zambia Bank Limited	**101 128 587**	-
Development Bank Of Zambia	**63 470 351**	-
Access Bank Zambia Limited	**53 201 359**	52 305 479
Intermarket Banking Corporation Limited	**36 927 632**	44 329 212
First Alliance Bank Limited	**34 685 010**	49 216 768
United Bank of Africa Limited	**19 340 880**	30 797 671
Zambia National Building Society	**18 960 459**	18 937 005
Union Bank Limited (In Liquidation)	**235 096**	235 096
United Bank of Zambia Limited (In Liquidation)	**80 517**	80 517
	3 413 154 010	2 557 877 249
Less: Impairment provision	**(28 252 151)**	(315 613)
	3 384 901 859	2 557 561 636
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)
	-	-
14.2 Other stocks and bonds		
Pension Scheme		
Stanbic Bank Zambia Limited	**68 266 777**	-
IFC	**26 243 151**	26 232 877
Madison Finance Limited	**11 436 919**	10 013 561
Izwe loans Zambia Limited	**7 744 778**	7 588 203
	113 691 625	43 834 641

Stanbic Bank Zambia Limited

This consists of 3 Corporate bonds with maturities of 2 years, 3 years and 5 years. The corporate bonds are denominated in Kwacha. The bonds bear interest on a floating rate at 182 days Treasury Bills + 350 basis points margin, 182 days Treasury Bills + 350 basis points margin and 182 days Treasury Bills + 4000 basis points margin respectively.

Kwacha

14 OTHER SECURITIES (CONTINUED)	2016	2015
Pension Scheme		
IFC		
This is a 4 year corporate bond denominated in Kwacha. The bond bears interest at 15% per annum paid semi annually.		
Madison Finance Limited		
This is a 5 year corporate bond denominated in Kwacha. The bond bears interest on a floating rate at 182 days Treasury Bills + 450 basis points margin respectively.		
Izwe Loans Zambia Limited		
This is a 2 year corporate bond denominated in Kwacha. The bond bears interest on a floating rate at 182 days Treasury Bills + 500 basis points margin respectively.		
Provident Fund		
Meridian BIAO Bank Limited (In liquidation)	**11 252**	11 252
Less: Impairment provision	**(11 252)**	(11 252)
	-	-

15 EQUITY INVESMENTS		
Pension Scheme		
Investments in shares listed on LuSE	**1 385 872 999**	1 828 052 463
Investment in Levy Business Park Hotel Limited	**17 844 345**	17 844 345
Less : Impairment	**(16 031 929)**	(16 031 929)
	1 387 685 415	1 829 864 879

The impairement of K16,031,929 relates to the value of the 683,956 disputed Lafarge Cement Zambia Plc shares.

Investments in shares listed on LuSE

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

At beginning of period	**1 828 052 464**	1 387 239 156
Purchases	**-**	570 622 716
Change in fair value	**(442 179 464)**	(129 809 409)
	1 385 872 999	1 828 052 464

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2016

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15 EQUITY INVESTMENTS (CONTINUED)

	No. of shares	Share price	2016 Market Value	2015 Market Value
Pension Scheme				
ZCCM - IH	**24 120 043**	**38**	**916 561 634**	964 801 720
Zambia Sugar plc	**30 788 019**	**3.00**	**92 364 056**	153 940 093
Standard Chartered Bank	**39 873 975**	**1.74**	**69 380 717**	75 760 553
Zambeef Plc	**24 797 819**	**2.50**	**61 994 548**	61 994 548
Lafarge Plc	**9 499 942**	**5.18**	**49 209 700**	222 678 640
Puma	**49 972 746**	**0.85**	**42 476 834**	53 470 838
Zambia National Commercial Bank Plc	**140 355 063**	**0.29**	**40 702 968**	176 847 379
Real Estate Investments Zambia Plc	**5 691 431**	**5.50**	**31 302 871**	19 350 865
National Breweries Plc	**1 400 000**	**13.00**	**18 200 000**	18 200 000
Metal Fabricators of Zambia Plc	**3 290 567**	**5.00**	**16 452 835**	16 452 835
British American Tobacco Zambia Plc	**6 394 439**	**2.45**	**15 666 376**	36 192 525
Copperbelt Energy Corporation Plc	**15 779 333**	**0.87**	**13 728 020**	10 256 567
Prima Re-Insurance Plc	**4 281 895**	**2.90**	**12 417 496**	12 417 496
Pamodzi Hotel Plc	**4 164 607**	**0.62**	**2 582 056**	2 582 056
African Explosives Plc	**293 798**	**6.85**	**2 012 516**	2 012 516
Cavmont Capital Holdings Plc	**546 916**	**1.50**	**820 374**	1 093 832
			1 385 872 999	1 828 052 463
Provident Fund				
Commerce Bank Limited (In Liquidation)	**2 157 780 000**	**1**	**2 157 780**	2 157 780
Development Bank of Zambia	**4 505**	**10 000**	**45 050**	45 050
Corporation Limited (In Liquidation)	**500 000**	**0**	**2 500**	2 500
Lima Bank Limited (In Liquidation)	**500 000**	**1**	**500**	500
Liquidation)	**150 000**	**1**	**150**	150
			2 205 980	2 205 980
Less: Impairment provision			**(2 205 980)**	(2 205 980)
			-	-

16 LOANS AND ADVANCES

	2016	2015
Pension Scheme		
Receivable from:		
Society House Development Company Limited	**789 001 094**	579 630 182
Impairment provision	**-**	(26 089 260)
	789 001 094	553 540 922

Movement in impairment Provision

	2016	2015
Balance at the beginning of year	(26 089 260)	-
Impairment losses recognised on rent receivables	-	(26 089 260)
Amounts recovered during the year	26 089 260	-
Balance at end of the year	-	(26 089 260)

Society House Development Company Limited ('SHDCL")

The balance represents advances made, up to the reporting date, to the Authority's fully owned subsidiary, Society House Development Company Limited ("SHDCL").

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16 LOANS AND ADVANCES (CONTINUED)

On 20 May 2011, the Authority entered into a Concession Agreement with Zambia National Building Society ("ZNBS"), for the redevelopment of Society House and Central Arcades, a property in the central business district of Lusaka and which formerly housed ZNBS's head office. The redevelopment would consist of a hotel, shopping mall and office space, and would be fully funded by the Authority. The Concession is for a period of 20 years at the end of which the Authority would be paid 50% of the market value of the redeveloped property. In addition, rental income proceeds arising during the Concession period would be assigned fully to the Authority.

A special purpose vehicle, SHDCL, was created in terms of the Concession Agreement to carry out the redevelopment and operate the commissioned property following finalisation of the redevelopment for the period of the Concession. Accordingly, the funding for the redevelopment was to be advanced to SHDCL as a loan and be recovered from that Company. Advances made to date are denominated in Kwacha, are unsecured and interest is recoverable at 15% p.a. Should recovery of the loaned funds not be achievable within the Concession period of 20 years, the Authority is entitled to extend the Concession period until full recovery of the funds is achieved.

Preliminary estimates made by Management indicate the advances made to date will only be recoverable in 30 years, 10 years beyond the concession period of 20 years. However, the Directors believe that an impairment procision would not be appropriate as:

(i) the concession agreement requires the extension of the concession period should advances remain uncollected at the end of this period; and

(ii) the loan agreement with SHDCL dated June 2016 provides collateral over the Society House Property and Central Arcades.

As a result, the impairment provision made in the prior year was reversed in 2016.

Provident Fund	**2016**	2015
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)**	(1 067 087)
	-	-
Movement in allowance for doubtful debts		
Balance at beginning and end of the year	**1 067 087**	1 067 087

17 EMPLOYEE RECEIVABLES

Pension Scheme		
Staff loans	**4 437 490**	2 236 292
Bad debts provision	**(26 250)**	(26 250)
	4 411 240	2 210 042
Movement in allowance for doubtful debts		
Balance at the beginning of year	**26 250**	29 785
Amounts recovered during the year	**-**	(3 535)
Balance at end of the year	**26 250**	26 250

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18	OTHER RECEIVABLES	2016	2015
	Pension Scheme		
	Rental receivables	**114 451 982**	88 056 270
	VAT recoverable	**48 345 446**	14 131 544
	Prepayments	**5 495 131**	6 414 145
	Other receivables	**7 733 795**	5 083 963
	Dividend receivables	**163 497**	590 646
		176 189 852	114 276 568
	Bad debt provision	**(107 445 944)**	(77 004 404)
		68 743 908	37 272 164
	Movement in allowance for doubtful debts		
	Balance at the beginning of year	**77 004 404**	33 690 696
	Impairment losses recognised on rent receivables	**69 963 092**	43 313 708
	Amounts recovered during the year	**(39 521 551)**	-
	Balance at end of the year	**107 445 944**	77 004 404

19	NET EXCHANGE (LOSSES) GAINS		
	Foreign exchange losses	**(18 501 202)**	(4 409 141)
	Exchange gains	**14 850 952**	25 569 145
		(3 650 250)	21 160 004

This denotes translation of the dollar denominated bank accounts of the Authority.

20	INVENTORY		
20.1	**Housing inventory**		
	Inventory - Kalulushi Housing	**256 607 717**	262 337 668
	Inventory - Northgate Gardens	**190 926 841**	171 029 319
	Inventory - Nyumba Yanga Housing	**50 900 042**	49 873 707
		498 434 599	483 240 694
	Less impairment loss	**(123 658 286)**	(48 806 961)
		374 776 313	434 433 733
	Movement in impairment on housing inventory		
	Balance at beginning of the year	**48 806 961**	48 806 961
	Impairment recognised on inventories	**74 851 325**	-
	Balance at end of the year	**123 658 286**	48 806 961

The Authority has written down the value of housing inventory by K74,851,325 to reflect the net relisable value.

20.2	**Consumable stores**		
	Consumable stores	**233 971**	1 428 244

21 INVESTMENT PROPERTIES	2016	2015
Pension Scheme		
Balance at beginning of the year	**1 613 803 045**	1 046 108 720
Additions	**292 043 426**	506 698 728
Changes in fair value	**(240 169)**	60 995 597
Balance at end of the year	**1 905 606 302**	1 613 803 045
Provident Fund		
Balance at beginning of the year	**15 775 626**	298 125 028
Additions	**-**	393 948
Disposal of property	**(240 169)**	(282 743 350)
Balance at end of the year	**15 535 457**	15 775 626

The property rental income earned by the Authority from its investment property, all of which is leased out under operating leases, amounted to Pension Scheme **K114,466,714** (2015: K80,056,270).

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

The fair value of the Authority's investment properties as at 31 December 2016 and 31 December 2015 has been arrived at on the basis of a valuation carried out on the respective dates by the following valuers: Liberty Properties, Sherwood Green, Sandridge Associates and Fairworld Properties. All the valuers 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 **K1,906,585,431** (31 December 2015: K1,613,803,045) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

Provident Fund

The fair value measurement for investment property of K15,535,457 (31 December 2015: K15,775,625) has been categorised as a Level 2 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. These properties have been offered to sitting tenants based on the valuation performed in 2013 and tenants are currently making payments towards the acquisition of the properties. Once the properties are fully paid for and title is transferred, the Authority will derecognize the properties and recognise the income from the sale. Accordingly the Trustees are of the view that the valuation of these properties approximates its fair value.

(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.