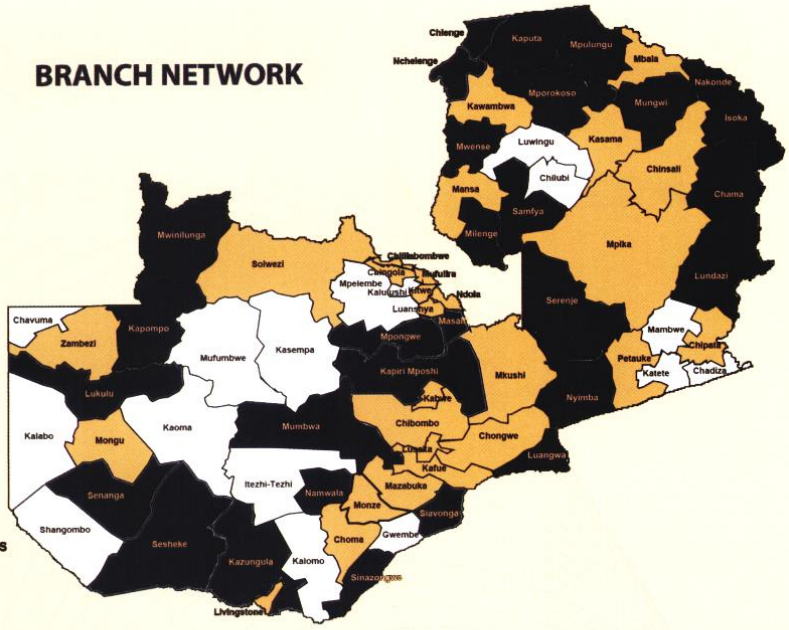
NATIONAL PENSION SCHEME AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2017

Be smart, secure your future

BRANCH NETWORK



NAPSA OFFICES

MOBILE MONTHLY OPERATIONS

CHINGOLA Clen Building P O Box 10324 Tel: +260-212-311823 / 312839	**CHIPATA** Provident House P O Box 510260 Tel: +260-216-223427/ 221003	**CHOMA** Provident House P O Box 267 Tel: +260-213-220786	**KAWAMBWA** Provident House P O Box 730718 Tel: +260-212-960053	**KAFUE** P O Box 360041 Tel: +260-211-311555
KABWE Chitanda House P O Box 80433 Tel: +260-215-221379/ 223129	**LUANSHYA** Nollies Building Buntungwa Avenue P O Box 90026 Tel: +260-212-512252	**KITWE** Provident House Matuka Avenue P O Box 223036 Tel: +260-212-224009/ 223361	**KASAMA** Compensation House P O Box 410125 Tel: +260-214-221324	**MAZABUKA** Provident House P O Box 670075 Tel: +260-213-230212/ 230345
LUSAKA Southern Region Lusaka House Tel: +260-211-226874/5	**LIVINGSTONE** Mosi Oa Tunya House P O Box 60573 Tel: +260-213-322145/ 321444	**MONGU** Provident House P O Box 910176 Tel: +260-217-221128/ 221415	**MBALA** Lake Press House P O Box 420289 Tel: +260-214-450457	**MANSA** Provident House P O Box 710190 Tel: +260-212-821236
MUFULIRA P O Box 40099 Tel: +260-212-411078/ 411654	**MONZE** Provident House Tel: +260-213-250533/ 250222	**MKUSHI** Provident House P O Box 840140 Tel: +260-215-362091/ 250222	**ZAMBEZI** P O Box 150151 Tel: +260-218-371105	**NDOLA** Kingstone Building P O Box 72035 Tel: +260-212-610849
MPIKA Provident House P O Box 450092 Tel: +260-214-370370	**SOLWEZI** Provident House P O Box 110065 Tel: +260-218-821576/ 821342/821180	**PETAUKE** Provident House P O Box 560170 Tel: +260-216-371123/ 371121	**CHISAMBA** Zambeef Building Fringila P O Box 39 Tel: +260-211-843267/ 843271	**CHONGWE** NAPSA Chongwe Plot #322 Chongwe Civic Centre Tel: +260-211-620134
REGIONAL OFFICE - NORTH ZCCM IH Building Katanda Street Nkana East, Kitwe P O Box 22929 Tel: 260-212-251406	**REGIONAL OFFICE SOCIETY HOUSE** 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: +260-212-380829	**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*

2017 NAPSA ACTIVITIES IN PICTURES



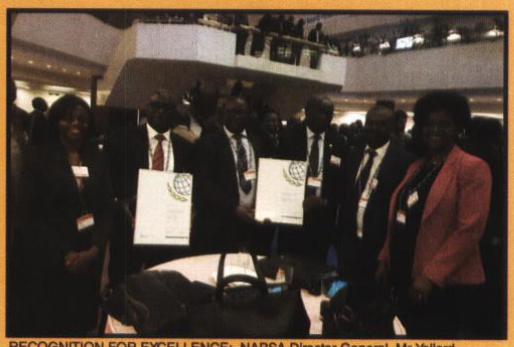
NAPSA Director General, Mr. Yollard Kachinda leading the Minister of Labour and Social Security, Hon. Joyce Nonde Simukoko, MP on a tour of Edgar Chagwa Lungu Mall in Kitwe.



MOU SIGNING WITH ILO AND FINISH GOVERNMENT: From left to right, Mr. Timo Sorsa, Chief technical Advisor for SPIRE WORKS project, Mr.Yollard Kachinda, NAPSA Director General and Mr. Alexio Musindo,ILO Director for Zambia, Malawi and Mozambique during the MoU signing for partnerships in extension of Social Protection to the informal sector on 7th September, 2017, at Avani Victoria Falls in Livingstone.



Board of Trustees of NAPSA pose for a photo with Minister of Labour and Social Security, Hon. Joyce Nonde Simukoko, MP, and Management during the Trustees' induction in June 2017.



RECOGNITION FOR EXCELLENCE: NAPSA Director General, Mr Yollard Kachinda leading the NAPSA team in displaying Certificates of Merit – ISSA Good Practice Awards Africa Competition for the Extension of coverage to the informal sector and for eNAPSA at the International Social Security Association (ISSA) Conference in ADDIS ABABA, Ethiopia in October 2017.



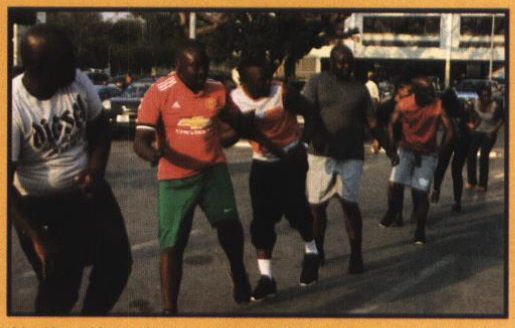
NAPSA Director General, Mr. Yollard Kachinda cutting a ribbon during the donation of twelve refrigerators to the Cancer Diseases Hospital. NAPSA also donated cooking utensils, furniture and assorted children's toys to the pediatric wing the hospital.



Chairperson of the Board of Trustees of the National Pension Scheme Authority (NAPSA), Ms. Marian Munyinda leads a team of NAPSA Board of Trustees and Management on a tour of Society Business Park in Lusaka.



Head Corporate Affairs, Mr. Cephas Sinyangwe kicks off the 2017/18 tree planting exercise across the country at Northmead primary school.



A healthy workforce enhances productivity, NAPSA members of staff taking part in the aerobics mania fitness activation organized by the Authority.

NATIONAL PENSION SCHEME AUTHORITY

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

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Board of Trustees



Mrs. Marian Munyinda
Chairperson



Mr. Mukuli Chikuba
Vice Chairperson



Ms. Freda Tamba
Member



Mrs. Agness Chakonta
Member



Mr. Barnaby B. Mulenga
Member



Mrs. Euphemia Chambula
Member



Mr. Mabvuto Daka
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

NATIONAL PENSION SCHEME AUTHORITY

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

BOARD OF TRUSTEES

Mr. Teddy David Mulonga (Independent)	-	Chairperson Retired 18 January 2017
Mr. Andrew Chisala (Employers' representative)	-	Vice-Chairperson Retired 18 January 2017
Mrs. Mutale Chilangwa Chisela (Bankers Association)	-	Member Retired 18 January 2017
Mr. Guy Phiri (Employers' representative)	-	Member Retired 18 January 2017
Mr. Barnaby Bwalya Mulenga (Ministry of Labour and Social Security) (Government representative)	-	Member Retired 18 January 2017
Ms. Monde Florence Sitwala (Ministry of Finance) (Government representative)	-	Member Retired 18 January 2017
Mrs. Catherine Nampasa Chinunda (Workers' representative)	-	Member Retired 18 January 2017
Mr. Chingati Msiska (Workers' representative)	-	Member Retired 18 January 2017
Mrs. Agness Chakonta (Pension Funds representative)	-	Member Retired 18 January 2017
Ms. Freda Tamba (Bank of Zambia representative)	-	Member Retired 18 January 2017

INTERIM BOARD OF TRUSTEES

Following the dissolution of the Board of Trustees on 18th January 2017, an interim board was appointed on 27th February 2017 to provide oversight over the affairs of the Authority pending appointment of the substantive Board of Trustees. During its tenure, the Interim Board met seven (7) times to transact on the business of the Authority. The interim board composition was as follows:

Mr. Andrew Chisala (Employers' representative)	-	Chairperson Retired 1 June 2017
Mr. Barnaby Bwalya Mulenga (Ministry of Labour and Social Security) (Government representative)	-	Member Retired 1 June 2017
Mr. Mukuli Chikuba (Ministry of Finance) (Government representative)	-	Member Retired 1 June 2017
Mr. Chris Kampamba (Pension Funds representative)	-	Member Retired 1 June 2017
Mr. Chingati Msiska (Workers' representative)	-	Member Retired 1 June 2017
Ms. Nancy Mwilwa (Bank of Zambia representative)	-	Member Retired 1 June 2017

NATIONAL PENSION SCHEME AUTHORITY

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

CURRENT BOARD OF TRUSTEES

Mrs. Marian Munyinda (Independent)	-	Chairperson Appointed 1 June 2017
Mr. Mukuli Chikuba (Ministry of Finance) (Government representative)	-	Vice-Chairperson Appointed 1 June 2017
Mr. Barnaby Bwalya Mulenga (Ministry of Labour and Social Security) (Government representative)	-	Member Appointed 1 June 2017
Mr. Chingati Msiska (Workers' representative)	-	Member Appointed 1 June 2017
Mrs. Agness Chakonta (Pension Funds representative)	-	Member Appointed 1 June 2017
Mrs. Mutale Chilangwa Chisela (Bankers Association representative)	-	Member Appointed 1 June 2017
Mr. Mabvuto Daka (Employers' representative)	-	Member Appointed 1 June 2017
Ms. Freda Tamba (Bank of Zambia representative)	-	Member Appointed 1 June 2017
Mrs. Catherine Nampasa Chinunda (Workers' representative)	-	Member Appointed 1 June 2017
Mrs. Euphemia Chambula (Employers' representative)	-	Member Appointed 1 June 2017

EXECUTIVE MANAGEMENT

Mr. Yollard Kachinda	-	Director General
Mr. Mason Mwiinga	-	Director Contributions & Benefits
Mrs. Lydia S. Chilumba	-	Authority Secretary
Mrs. Dorothy Soko	-	Director Investments
Mrs. Chishala K. Tembo	-	Director Finance
Mr. Phillip Muyumbana	-	Director Projects
Mr. Greg Chola Nsofu	-	Director Information Technology
Mrs. Betty C. Meleki	-	Director Human Resource & Administration
Mr. Ronnie Kamanya	-	Director Strategy & Business Performance

NATIONAL PENSION SCHEME AUTHORITY

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

PROFESSIONAL ADVISORS

	In-house Legal Counsel
LEGAL ADVISORS:	Legal Counsel National Pension Scheme Authority Levy Business Park P.O Box 51275 Lusaka
AUDITORS:	Deloitte & Touche Abacus Square Plot No. 2374/B Thabo Mbeki Road P.O Box 30030 Lusaka
ACTUARIES:	Government Actuary's Department Finlaison House 15 – 17 Furnival Street London EC4A 1AB
BANKERS:	Zambia National Commercial Bank Plc Private Bag E119 Lusaka
	Citibank Zambia Limited P.O Box 30037 Lusaka
	Barclays Bank Zambia Plc Private Bag E308 Lusaka
	Standard Chartered Bank Zambia Plc P.O. Box 32238 Lusaka
	Stanbic Bank Zambia Limited P.O Box 31955 Lusaka
HEAD OFFICE:	Levy Business Park P.O Box 51275 Lusaka

REPORT OF THE BOARD OF TRUSTEES

The Trustees of the National Pension Scheme Authority present their report for the year ended 31 December 2017, 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.

From 2015 NAPSA also took over the liabilities of members who contributed to the saving Scheme 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 2017 have been listed on pages 1 and 2.

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 soundness, 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 12.

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 2017, the Trustees met at least once in each quarter.

2 Strategic Objectives achieved during the year 2017

i) Revised the Investment Guidelines to include new asset classes under alternative investments that include among others Infrastracture investments, economically & socially targeted investments and non listed equity. The investment guidelines have been issued under a statutory instrument no. 19 of 2017 as opposed to a government gazzette notice.

ii) Launched the eNAPSA a web-based e-service product which enables employers and employees to transact with the Authority online. Using this platform employers can register their employees, file monthly returns and make payments for statutory contributions online. On the other hand employees can use eNAPSA to check member and beneficiary details as well as keep track of their contributions and benefits. This had been a novel initiative in reducing costs relating to processing of returns and customers cost of doing business with the Authority. This initative earned the Authority an award from the International Social Security Association (ISSA) for 'Best practices worth emulating by other Social Security Organisations' in the world.

iii) Signed a Memorandum of Understanding with the International Labour Organisation (ILO), and the Finnish Government through which the Authority is receiving technical and financial support from ILO and the Finnish Government respectively towards the extension of coverage to small scale farmers under a programme dubbed SPIREWORKS (Social Protection for Informal and Rural Economy Workers). This programe will run for two and half years from September 2017.

iv) The Authority set out to increase membership to 200,000 in 2017 for the formal sector and exceeded this target with an actual of 207,996

v) The Authority ensured that there was financial sustainability of the fund by growing the Fund by 32% to K22.4 billion from K17 billion at beginning of the year; earning a return on investments of 21.35% against a target of 16%; achieving member contributions target of K3.3 billion; while operating within the allowed expenditure limit of 15% of the contributions collected and K30 million of capital expenditure.

2 Strategic Objectives achieved during the year 2017

vi) In pursuit of an efficient and effective Information Technology platform, the Authority completed the implementation of the Enterprise Resources Planning (ERP) project named Napsa Integrated System (NIS). The NIS thus supports the internal business processing designed to reduce the turnaround times in the delivery of customer services such as collection of member contribution, processing of benefits payments, and report production among other services.

Vii) The Authority encouraged talent management, created a conducive working environment for all employees and other stakeholders and ensured its staff were motivated to support the Corporate Objectives.

viii) The Financial year 2017 marked the conclusion of the 2013-2017 Strategic period which saw the Authority achieve over 80% of the Objectives as well as the associated strategic initiatives set for the period. The Authority further developed a new Strategic Plan covering 2018-2021 with the revised Vision, Mission, Core values and Objectives under the framework of the Balanced Score Card.

3 Operational Highlights for the year 2017

3.1 Role of the Authority in the national economy

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

The Authority continued to support the growth of the local economy through investments of member funds in the financial and capital markets, infrastructure developments, real estates amongst other investments. The Authority in the year complimented the efforts by the Central Bank's monetary policies by stopping banks to bid for interest rates through negotiatations as the Authority is a major player in the financial markets. The Authority also supported the increase in demand for consumption by paying out claims to the total amount of seven hundred and seven million (K707 million) for members which had also a multiplier effect in the local economy.

3.1.1 Overall Authority Performance

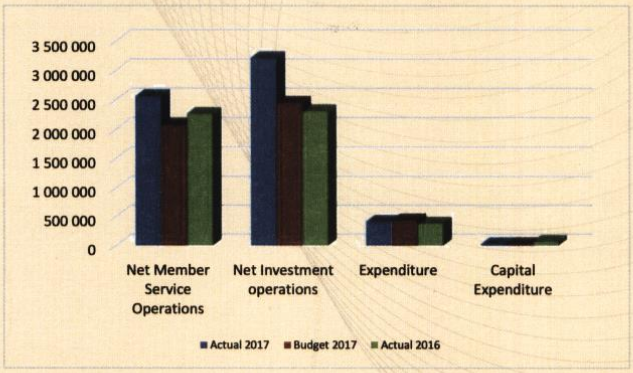
The Authority's net assets available for benefits as at 31 December 2017 increased overall by K5.4 billion (32%), from K17 billion as at 31 December 2016 to K22.4 billion at 31 December 2017. The remarkable positive performance in 2017 is mainly attributable to:

i. Positive net performance on investments

ii. Control on administrative expenditure, which was 6% below budget.

The overall performance is highlighted in the graph below:

Graph 1: Overall Performance (K'000)



3 Operational Highlights for the year 2017 (Continued)

3.2 Member Service Operations

3.2.1 The Scheme collected K3.3 billion in contributions, an annual increase of 10% from the 2016 figure of K2.9 billion. The increase is a reflection of a number of factors such as: growth in the national economy, increase in the National Average Earnings, and increase in the contribution ceiling. The contribution rate remained at 10 % of the employee's gross wages up to the monthly ceiling of K1,788.00 shared equally at 5% between the employer and the employee. The Authority achieved the 2017 member contribution target of K3.3 billion.

3.3 Membership, Contributions and Benefits trend

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

Table 1:

Membership and Contributions trend	2017	2016	2015	2014	2013
Number of active employers	21 068	18 288	16 473	15 552	14 669
Number of Active members	768 591	727 833	701 374	672 320	620 132
Average collection per month (K'millions)	270	243	214	191	146

Table 2:

Benefits trend	2017	2016	2015	2014	2013
Funeral grant per claim (K)	8 946	8 440	7 960	7 921	6 696
Minimum Pension per member (K)	894	844	796	792	670
Highest Pension per member (K)	3 994	3 644	3 437	3 419	2 891
Average monthly pension per member (K)	1 264	1 145	1 087	1 038	868
Highest Lump sum per claim (K)	312 460	282 095	246 636	222 436	185 983
Number of pensioners	14 654	14 497	12 982	11 723	10 083
ZNPF payments(K millions)	198	166	122	129	68

The Scheme has been steadily growing with an average increase of about 1,400 pensioners per annum. In 2017 however, the Authority added 1,294 new pensioners and dropped a total of 1,137 from the payroll due to none renewal of pension life certificates and terminations due to age.

3.4 Investments

3.4.1 The Scheme recorded overall net positive performance of K3.2 billion on investment operations, a positive variance of 64% compared to 2016. The bulk of income was from Treasury operations, mainly net interest income which was K3.4 billion in 2017, a positive variance of K1 billion (43 %) in comparison to 2016. The Scheme's favorable performance from its investments was mainly due to a number of factors including the following:

i. Fresh funds of K2.1 billion from member contributions;

ii. Increased investment in higher yielding Government securities at an average interest rate of 12.3%;

iii. Increased interest income from loans under the Infrastructure asset class;

iv Net revaluation surplus on Listed securities amounting to K 166 million; and

v Net revaluation surplus on Government securities amounting to K55 million though significantly lower than was recorded in 2016.

3 Operational Highlights for the year 2017 (Continued)

3.4 Investments (continued)

3.4.2 The Authority has complied with the approved limits in the Investment guidelines under SI 19 of 2017. The Investment portfolio held at the end of the year 2017 is shown in Table 3 below.

Table 3: Investment Portfolio

(Kwacha Millions)

Net Investments	2017 Net Investments	2017 % of total portfolio	2016 Net Investments	2016 % of total portfolio
Government securities	10 859 553	50%	8 533 363	38%
Other securities	4 275 658	20%	3 498 617	29%
Shares in listed corporations	1 579 363	7%	1 387 685	14%
Infrastructure & Real estate	2 526 256	12%	789 001	11%
Housing inventory	305 979	1%	374 776	5%
Investment properties	2 314 785	11%	1 921 142	4%
Total	**21 861 593**	**100%**	**16 504 585**	**100%**

3.4.3 The Authority's Major projects at various stages of completion and associated costs incurred by 31 December, 2017 are included in appropriate categories under Table 4 below.

Table 4:

(Kwacha Thousand)

Projects in progress	Type	2017	2016
Redevelopment Society House	Hotel, retail,parkade and offices	**1 088 968**	789 001
Freedom Park	Hotel, Shopping mall, Convention Centre and offices	**824 183**	509 043
New Chinsali offices	Offices	**184**	
New Records Centre	Records Centre	**27 296**	2 520
Twin Palm Land	Housing units, retail and offices	**4 672**	1 227
Total		**1 945 119**	1 301 791

3.5 Provident Fund

3.5.1 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 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 closed ZNPF.

3.5.2 The Board of Trustees consequently 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. The audited positions of the Pension Scheme and the Provident Fund were thus merged as at 1st January 2017.

4.0 Staff Matters

4.1 The approved staff establishment as at 31 December, 2017 was as shown in Table 5 below.

Table 5 (Staff establishment)

	2017	2016
Approved staff establishment	**581**	535
Actual numbers		
Permanent and pensionable	**545**	519
Directors	**9**	9
Contract staff	**24**	30
Total	**578**	558

4.0 Staff Matters

4.2 The Authority prides itself with a team of employees that support its strategic intent by way of their diverse skills and competencies. In ensuring that the Authority maintains a motivated and driven workforce, a number of measures and different activities were put in place during the year:-

4.2.1 Training and Development

Training and development of staff is a key component of the Authority's retention strategy. Through training and development programmes, the Authority has over the years acquired unique skill sets that set it apart from other pension institutions.

During the year, various local and international training interventions for members of staff were undertaken covering courses in Social Security, Fund Management, Enterprise Risk Management, Construction Project Evaluation, Leadership, Customer service, Financial modelling to mention a few.

4.2.2 Health care and wellness programmes

During the year, the Authority promoted a number of wellness initiatives such as the "Walk with me" health campaign, group fitness exercises, in house screening services for members of staff in various stations as well as medical insurance cover for all staff. These initiatives were aimed at promoting a healthy and physically fit workforce. It can not be over emphasized that a healthy workforce will promote increased productivity in any institution.

4.2.3 Employee Engagement

Regular engagement with staff is at the core of the Authority's activities. Given that the Authority has two categories of employee, (represented and non represented), it is imperative that there is free flow of information as well as regular communication within the institution. During the year, the tone for the new strategic plan for 2018 - 2021 was set. This included the introduction of the new set of values iCARE (Integrity, Collaboration, Accountability, Respect and Excellence). A massive sensitization campaign was embarked on in the year to embed these values and will continue in the following year.

4.2.4 Performance Management

The Authority is working towards being a performance driven institution. This will also entail that employees are rewarded based on their performance. To this effect, the Balanced Scorecard framework was introduced in the year. All staff were trained and have bought into the concept. Further an enhanced performance bonus was introduced during the year that is motivating to staff.

5.0 Corporate Social Responsibility

The Authority is aware of, and gives consideration to, its role as a Corporate citizen. The Authority therefore has a strategic intent aimed at fostering inclusive growth and socio-economic development in the country. In this regard the Authortiy has in its portfolio funds for Corporate Social Investment and Corporate Social Responsibility. Under Corporate Social Responsibility the Authority has strategies that are structured to help address the specific needs of the community that range from environmental sustainability, community health and wellness programmes.

In 2017, under the Authority Corporate Social Responsibility (CSR) policy the Authority made donations amounting to K847,150.00. These include donation to Matero level 1 hospital, donation of desks to Chinsali Primary School and Construction materials to Simambumbu Primary School.

6.0 Statement on Corporate Governance

6.1 As a fiduciary Institution, NAPSA subscribes to tenets of good corporate governance. NAPSA is governed through a Board of Trustees, whose composition is tripartite in nature. Its members are mainly drawn from representatives of employees, employers and Government, whilst a few members are drawn from the industry and professional bodies. Pursuant to this commitment to improve governance, the Authority continued to put in place various policies, structures and processes to ensure that the Institutions' decision making, governance and administration processes are compliant with applicable laws, regulations and best corporate governance practices. The implementation of Integrity Committee (IC) Program gained momentum with the sensitisation of staff, drafting of key policies and the establishment of a full time IC Secretariat. The IC Program is aimed at institutionalising corruption prevention in order to enhance integrity and transparency within the Institution.

6.0 Statement on Corporate Governance (Continued)

6.2 The current Board of Trustees was appointed by the Minister of Labour and Social Security on 1 June 2017. In line with its mandate, the Board met regularly to transact on the general business of the Authority; in order to monitor the performance of the Scheme and Fund and; where necessary Special meetings were convened to attend to urgent or special business. In the year under review the Board held 9 meetings including a Board Induction. The Board Induction involved presentation on the operations of the Authority as well as familiarisation tours of some key on-going investments of the Authority. The Authority's focus areas included:

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.

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

7.0 Committees

The Authority has established four (4) Committees to assist the Board of Trustees discharge its functions. The Committees' mandates are clearly stipulated in their respective terms of reference. The members of the Board Committees are subject matter experts drawn from the various relevant sectors and professional bodies and associations. The following are the four Board Committees:

7.1 Audit, Risk and Compliance Committee

The Audit Committee is a Statutory committee established as provided for by the Public Finance Act

The Audit Committee's main function is to oversee financial reporting, risk management and complaince.

7.1.1 The Audit Committee is composed of the following Members:

i. Mrs Mutale Chilangwa Chisela (Chairperson)
ii. Mr. Mukuli Chikuba
iii. Mr. Julu Godfrey Simuule
iv. Mr. James Banda
v. Ms. Rosemary Mukuka

7.1.2 In the year 2017, the Committee met four (4) times to consider audit, risk and compliance matters and make appropriate recommendations to the Authority.

7.2 Finance and Investments Committee

The Finance & Investments Committee oversees investment performance and management to ensure prudent management of assets and maximisation of returns.

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

i. Ms. Freda Tamba (Chairperson)
ii. Mr. Barnaby Bwalya Mulenga
iii. Mr. Frederick Shabani Mtamira
iv. Mrs. Christabel Banda
v. Mrs. Jane Musonda Mulenga

7.2.2 In the year 2017, the Committee met eleven (11) times to review the Authority's financial performance, consider investment proposals, make investment decisions, adopt policies and propose appropriate recommendations to the Authority.

7.3 Technical Committee

The Technical Committee's main mandate is to assist the Board of Trustees discharge its statutory obligations in relation to monitoring pension administration, strategic planning, actuarial status, reforms and regulatory compliance.

7.3.1 The Technical Committee is composed of the following Members:

i. Mrs. Agnes Nyondo Chakonta (Chairperson)
ii. Mrs. Euphemia Mubanga Chambula
iii. Mrs. Catherine Nampasa Chinunda
iv. Mr. Musonda Cheta
v. Dr. Stephen M. Kambani
vi. Mr. Anthony Dumingu

7.3.2 In the year 2017, the Committee met four (4) times to consider matters relating to member service operations, actuarial reports, pension reforms and make appropriate recommendations to the Authority.

7.0 Committees (Continued)

7.4 Staff Affairs Committee

The Staff Affairs Committee's key function is to oversee staff well being and performance in order to ensure optimal overall orgnisation performance.

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

i. Mr. Mabvuto Daka (Chairperson)
ii. Mr. Chingati Msiska
iii. Mrs. Musonda Kunkuta
iv. Mr. Jumali Nkhoma
v. Ms. Mubanga Musakanya

7.4.2 In the year 2017, the Committee met four (4) times to consider matters pertaining to staff and make appropriate recommendations to the Authority.

In line with its charter and best corporate governance practices, the Authority is committed to continued education and development of its Trustees. This is to ensure that the Trustees are in touch with industry practice and regulatory environment and appreciate relevant risks. During the period under review, two Trustees were sponsored to attend training on Board Effectiveness. Further, the Board is committed to annually assess its performance and identify areas requiring improvement. The Authority has planned to conduct a Board Self Evaluation in 2018 to review its performance and come up with an action plan for purposes of improving its performance.

7.5 Attendance of meetings

7.5.1 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	
Board Chairperson					
Mrs. Marian Munyinda	9	9			
Finance and Investments Committee					
Mrs. Freda Tamba	9	7	11	9	
Mr. Barnaby Bwalya Mulenga	9	5	11	9	(i)
Mr. Frederick Shabani Mtamira*	*		11	6	(ii)
Mrs. Christabel Michel Banda*	*		11	9	
Ms. Jane Musonda Mulenga*	*		11	10	
Audit Risk & Compliance Committee					
Mrs. Mutale Chilangwa Chisela	9	8	4	3	
Mr. Mukuli Chikuba	9	5	4	2	(i)
Mr. Julu Godfrey Simuule*	*		4	4	
Mr. James Banda*	*		4	1	(ii)
Ms. Rosemary Mukuka*	*		4	1	(ii)
Staff Committee					
Mr. Mabvuto Daka	9	9	5	3	
Mr. Chingati Msiska	9	9	5	2	
Mrs.Musonda Kunkuta*	*		5	4	
Mr. Jumali Nkhoma*	*		5	4	
Technical Committee					
Mrs. Agnes Nyondo Chakonta	9	7	5	4	
Mrs. Euphemia Mubanga Chambula	9	7	5	3	
Mrs. Catherine Nampasa Chinunda	9	8	5	2	
Dr. Stephen M. Kambani*	*		5	5	
Mr. Musonda Cheta*	*		5	5	
Mr. Anthony Dumingu*	*		5	4	(ii)
Mrs. Irene Mwezi Kunda*	*		5	2	(ii)

Notes

* Not applicable.

(i) Two meetings attended by Alternate.

(ii) Member was appointed later in the period

8.0 Senior management

8.1 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.

8.2 Senior Management comprised the Director General, supported by eight (8) Directors who each head a Directorate.

8.3 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.

8.4 The Board understands the relationship between itself and the members of The Scheme. 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 on 26 June 2018 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 (statement of net assests available for benefits);
- an audited statement of income and expenditure (statement of changes in net assets available for benefits); 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 13 to 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 2017 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 on 26 June 2018 by:

TRUSTEE **TRUSTEE**

Deloitte.

PO Box 30030
Lusaka
Zambia

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of
National Pension Scheme Authority
Report on the financial statements

Opinion

We have audited the financial statements of National Pension Scheme Authority set out on pages 16 to 49, which comprise the statement of net assets as at 31 December 2017, 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 give a true and fair view of the financial position of National Pension Scheme Authority as at 31 December 2017, and of 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 of 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 ethical requirements that are relevant to our audit of the 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.

Key audit matters

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

Key audit matters	How our audit addressed the key audit matter
Valuation of Financial Assets	
In the Authority's financial statements, financial assets are carried at fair value. In assessing the fair value of financial assets, the Authority uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Many of the inputs required can be obtained from readily available liquid market prices and rates. Where observable market data is not available, in particular for level 3 equity instruments, estimates were developed based on the most appropriate source data and are subject to significant judgement. Changes in assumptions about these factors could affect the fair value of the financial assets. The valuation of the Authority's financial assets held at fair value was a key area of audit focus due to the complexity involved in the valuation process. The valuation of financial assets policy is disclosed in Note 2.14.1 and financial assets valuation disclosed in Note 22.	Our procedures included but were not limited to the following: ▪ Tested the design and implementation and operating effectiveness of the key controls over the investment valuation process. We tested, on a sample basis, the valuation at reporting date and we ascertained that the valuation techniques used are appropriate and consistent with prior years. ▪ Performed audit procedures over the valuation and accounting of investments in financial assets, ensure that financial assets are classified, accounted and disclosed in line with the respective IFRS. ▪ For unquoted financial assets classified as level 3, we checked that the valuation techniques adopted reflect the best appropriate basis for valuation of the investments. We checked the reasonableness of inputs to the valuation techniques used. We found the Authority's treatment of financial assets appropriate. No material uncorrected errors were noted.

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matter
IT systems and controls over financial reporting	
We identified IT systems and controls over financial reporting as an area of focus as the Authority's financial accounting and reporting systems are significantly dependent on the systems and there is a risk that automated accounting procedures and related IT dependent manual controls may not be designed and operating effectively. A particular area of focus related to logical access management and segregation of duties controls as well as checking the appropriateness of the integration of the various systems.	We assessed and tested the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to financial reporting. We examined the framework of governance over the Authority's IT organization and the controls over program development and changes, access to programs and data and IT operations, including compensating controls where required. Where necessary we also carried out direct tests of certain aspects of the security of the Authority's IT systems including access management and segregation of duties. The combination of the tests of the controls and the direct tests that we carried out gave us sufficient evidence to enable us to rely on the continued and proper operation of the Authority's IT systems for the purposes of our audit.

Other information

The Board of Trustees are responsible for the other information. The other information comprises Board of Trustees' Report as required by the National Pension Scheme Act No. 40 of 1996, which we obtained prior to the date of this auditors' report, and the annual report which we obtained prior to the date of this auditors' report. 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 any form of assurance or 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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the National Pension Scheme Act No. 40 of 1996, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of 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 Board of Trustees either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

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 management.

- Conclude on the appropriateness of the Board of 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 auditors' 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 Board of Trustees regarding, amongst 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 the Board of Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with he Board of Trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

National Pension Scheme Act No. 40 of 1996 requires that in carrying out our audit, we consider and report to you on the following matter: we confirm that, in our opinion, the accounting and other records and registers have been properly kept in accordance with the Act.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

Alice Jere Tembo
Audit Partner
Practicing Certificate No.: Aud/F000433

Date: 29 June 2018

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended 31 December 2017

Kwacha

	Notes	Pension Scheme 2017	Pension Scheme 2016 Consolidated*	Pension Scheme 2016	Provident Fund 2016
Net assets available at beginning of the year		**17 036 186 344**	13 067 823 571	13 108 359 563	(40 535 992)
Member service operations:					
Contributions from members		**3 270 016 158**	2 934 587 755	2 934 587 755	-
Pension claims and withdrawals	5	**(247 592 111)**	(270 379 226)	(270 379 226)	-
Normal retirement pensions	6	**(243 855 679)**	(222 850 787)	(222 850 787)	-
ZNPF claims	5	**(201 796 855)**	(165 678 650)	-	(165 678 650)
Funeral grants (Napsa)		**(13 874 555)**	(14 772 382)	(14 770 654)	(1 728)
		2 562 896 958	2 260 906 710	2 426 587 088	(165 680 378)
Investment operations:					
Investment income	7	**3 357 925 384**	2 355 184 830	2 355 184 830	-
Change in Market value for investments	22	**220 917 821**	101 195 168	101 195 168	-
Loss on sale of properties		**-**	(2 195 780)	(2 195 780)	-
Impairment loss on housing inventory	16	**(26 953 294)**	(74 851 325)	(74 851 325)	-
Handling fees		**(31 990 273)**	(23 338 145)	(23 338 145)	-
Write back on other receivables		**-**	26 089 260	26 089 260	-
Provision for bad debts	20	**(26 164 069)**	(69 963 092)	(69 963 092)	-
Net exchange (losses)	8	**(13 755 625)**	(3 650 250)	(3 650 250)	-
Tax expense	9	**(266 571 052)**	(216 800 936)	(216 800 936)	-
		3 213 408 892	2 091 669 730	2 091 669 730	-
Management expenses:					
Employee benefit expenses	10	**(258 263 030)**	(212 283 305)	(212 283 305)	-
Administration expenses	11	**(140 642 601)**	(159 102 900)	(119 737 189)	(39 365 712)
Depreciation expense	23	**(15 565 150)**	(13 731 240)	(13 731 240)	-
Gain on disposal of equipment		**700 552**	903 778	903 778	-
		(413 770 229)	(384 213 667)	(344 847 956)	(39 365 712)
Increase (decrease) in net assets		**5 362 535 621**	3 968 362 773	4 173 408 862	(205 046 090)
Net assets (liabilities) available at end of the year		**22 398 721 966**	17 036 186 344	17 281 768 425	(245 582 082)

**2016 numbers have been consolidated to allow for meaningful comparison with 2017.*

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

at 31 December 2017

Kwacha

	Notes	Pension Scheme			Provident Fund
		2017	2016 Consolidated*	2016	2016
NET ASSETS (LIABILITIES)		**22 398 721 966**	17 036 186 344	17 281 768 426	(245 582 082)
Represented by:					
ASSETS					
Investments					
Government securities	12	**10 859 553 377**	8 533 363 338	8 533 363 338	-
Other securities	13	**4 275 657 564**	3 498 616 756	3 498 616 756	-
Equity investments	14	**1 579 362 879**	1 387 685 415	1 387 685 415	-
Loans and advances	15	**2 526 255 589**	789 001 094	789 001 094	-
Housing inventory	16	**305 979 093**	374 776 313	374 776 313	-
Investment properties	17	**2 314 784 595**	1 921 141 759	1 905 606 302	15 535 457
		21 861 593 097	16 504 584 675	16 489 049 218	15 535 457
Bank and cash balances	18	**139 061 494**	576 709 039	558 853 142	17 855 897
Employee receivables	19	**6 386 842**	4 411 240	4 411 240	-
Other receivables	20	**99 349 618**	68 743 908	68 743 908	-
Consumable stores		**1 858 115**	233 971	233 971	-
Contributions receivable	21	**689 891 011**	206 719 699	206 719 699	-
Current account with ZNPF		**-**	-	263 267 499	-
Property and equipment	23	**149 017 484**	120 812 561	120 812 561	-
		1 085 564 564	977 630 418	1 223 042 020	17 855 897
TOTAL ASSETS		**22 947 157 661**	17 482 215 093	17 712 091 238	33 391 354
LIABILITIES					
Current account with NAPSA		**-**	-	-	(263 267 499)
Income tax liabilities	9	**(136 349 749)**	(127 647 712)	(127 647 712)	-
Provisions for claims payable	25	**(13 037 136)**	(12 795 188)	(12 795 188)	-
Other payables and accrued expenses	26	**(392 062 069)**	(301 859 404)	(286 153 468)	(15 705 937)
Deferred liabilities	27	**(6 986 737)**	(3 726 445)	(3 726 445)	-
TOTAL LIABILITIES		**(548 435 691)**	(446 028 749)	(430 322 813)	(278 973 436)
NET ASSETS (LIABILITIES)		**22 398 721 967**	17 036 186 344	17 281 768 425	(245 582 082)

**2016 numbers have been consolidated to allow for meaningful comparison with 2017.*

The responsibilities of the Trustees with regard to the preparation of the financial statements are set out on page 12. The financial statements on pages 16 to 49 were approved by the Board of Trustees on 26 June 2018 and were signed on its behalf by:

TRUSTEE **TRUSTEE**

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

Kwacha

	NOTES	Pension Scheme 2017	Pension Scheme 2016	Provident Fund 2016	Provident Fund 2016
CASH FLOWS FROM OPERATING ACTIVITIES			**Consolidated***		
Increase (decrease) in net assets		**5 362 535 621**	3 968 362 773	4 173 408 863	(205 046 090)
Adjusted for:					
Depreciation expense	23	**15 565 150**	13 731 240	13 731 240	-
Income tax expense	9	**266 571 052**	216 800 936	216 800 936	-
Dividend income		**(28 216 686)**	(22 698 268)	(22 698 268)	-
Investment income	7	**(3 329 708 698)**	(2 355 184 830)	(2 355 184 830)	-
Impairment loss on receivables	20	**26 164 069**	69 963 092	69 963 092	-
Recoveries of bad debts		**-**	(39 521 551)	(39 521 551)	-
Write back on other receivables		**-**	26 089 260	26 089 260	-
Change in fair value of investment property	17	**-**	(240 169)	(240 169)	
Impairment loss housing inventory		**26 953 294**	(74 851 325)	(74 851 325)	
Change in fair of value of Government Securities	12	**(55 182 942)**	(543 614 801)	(543 614 801)	-
Change in fair value of listed securities	14	**(165 734 879)**	442 179 464	442 179 464	-
Gain on disposal of property and equipment		**(700 552)**	(903 778)	(903 778)	-
		2 118 245 429	1 700 112 043	1 905 158 133	(205 046 090)
Movement in working capital:					
Increase in Government securities		**(2 271 007 097)**	(2 428 531 113)	(2 428 531 113)	-
Increase in other securities		**(777 040 808)**	(897 220 479)	(897 220 479)	-
Increase in listed securities		**(25 942 585)**	-	-	-
Increase in loans and advances		**(1 737 254 494)**	(261 549 432)	(261 549 432)	-
Increase in employee receivables		**(1 975 601)**	(2 201 198)	(2 201 198)	-
Increase in contribution receivables		**(483 171 312)**	(84 992 527)	(84 992 527)	-
Increase (decrease) in deferred liabilities		**3 260 293**	(2 326 971)	(2 326 971)	-
Increase in other receivables		**(56 769 778)**	(300 560 192)	(300 560 192)	-
Decrease in inventories		**40 219 783**	60 851 693	60 851 693	-
(Decrease) increase in other payables and accruals		**90 444 612**	333 356 792	126 961 423	206 395 369
Cash (used in) generated from operations		**(5 219 236 986)**	(3 583 173 427)	(3 789 568 796)	206 395 369
WHT suffered at source	9	**(257 869 015)**	(157 279 251)	(157 279 251)	-
Net cash (utilised) generated from in operations		**(3 358 860 572)**	(2 040 340 635)	(2 041 689 914)	1 349 279

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)
for the year ended 31 December 2017

Kwacha

	NOTES	Pension Scheme 2017	Pension Scheme 2016 Consolidated*	Pension Scheme 2016	Provident Fund 2016
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property and equipment	23	**(44 836 069)**	(66 726 021)	(66 726 021)	-
Proceeds on disposal of property and equipment		**1 766 547**	3 483 989	3 483 989	-
Proceeds on disposal of investment properties		**-**	240 168	-	240 168
Purchase for investment properties		**(393 642 836)**	(291 563 088)	(291 563 088)	-
Dividends received		**28 216 686**	22 698 268	22 698 268	-
Investment income	7	**3 329 708 698**	2 355 184 830	2 355 184 830	-
Net cash generated from investing activities		**2 921 213 026**	2 023 318 146	2 023 077 978	240 168
Net cash (outflows) inflows		**(437 647 545)**	(17 022 489)	(18 611 937)	1 589 448
Cash and cash equivalents at beginning of the year		**576 709 039**	593 731 528	577 465 079	16 266 449
Cash and cash equivalents at end of the year		**139 061 493**	576 709 039	558 853 142	17 855 897
Comprising:					
Bank and cash balances		**139 061 494**	576 709 039	558 853 142	17 855 897

**2016 numbers have been consolidated to allow for meaningful comparison with 2017.*

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

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 Soundness, financially sustainable, fair in its benefit distribution and is affordable.

Under the Act and its regulations, the Authority took over the liabilities of members who contributed to a saving Scheme 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 accrued rights 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 four months of contributions under the Zambia National Provident Fund.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

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

2.2 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:

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 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 2017 to the 10th of January 2018.

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.

2.4 Dividend income

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

2.5 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.

2.6 Inventories

The Authority's inventory comprises largely housing units constructed for sale as well as consumable stores.

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.

2.7 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.

2.8 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 2017 to be negligible and for purpose of the financial statements have been assigned a nil value.

2.9 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties

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.

2.10 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.

2.11 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 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.

2.12 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Foreign currencies

2.13.1 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).

2.13.2 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.

2.14 Financial instruments

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

2.14.1 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.

2.14.1.1 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.

2.14.1.2 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.

2.14.1.3 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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments

2.14.1 Financial assets

2.14.1.4 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.

2.14.1.5 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.

2.14.2 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.

2.14.2.1 Derecognition of financial liabilities

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial instruments

2.14.2 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.

3 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.

3.1 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.

3.1.1 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.

3.1.2 *Impairment losses on housing inventory*

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 reporting date. For housing inventory the lower of cost and net relialisable value was used.

3.1.3 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.

3.2 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.

3.2.1 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.

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

3.2 Key sources of estimation uncertainty (continued)

3.2.2 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.

3.2.3 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.

3.2.4 Actuarial valuation assumptions

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

4 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.

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4 ACTUARIAL DEFICIT (CONTINUED)

*** 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%

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.

5 PENSION CLAIMS AND WITHDRAWALS

	2017	2016
Pension Scheme		
Retirement Lumpsum	**62 646 403**	72 039 244
Survivors Lumpsum	**29 532 587**	30 295 315
Invalidity refund	**252 098**	462 755
Refund of contributions	**28 619**	1 464 033
	92 459 707	104 261 347
Indexed payments	**127 167 070**	158 056 926
Interest on refund	**27 965 334**	8 060 953
	155 132 404	166 117 879
	247 592 111	270 379 226

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.

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5 PENSION CLAIMS AND WITHDRAWALS (CONTINUED)

Provident Fund	2017	2016
Interest on benefits	**198 690 607**	162 538 831
Retirement	**2 137 916**	2 462 449
Home ownership	**400 886**	44 743
Age	**277 398**	257 803
Survivors	**276 573**	367 057
Disability	**7 174**	6 978
Savings	**6 301**	789
	201 796 855	165 678 650

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

6 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 retirement from employment as follows;

Early retirement (accrued rights)	50 years
Normal retirement (acrrued rights)	55 years
Early retirement (new)	55 years
Normal retirement (new)	60 years
Late retirement (new)	65 years

The pension payments made in 2017 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 their retirement age.

The year 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, earn the right to pension benefits.

7 INVESTMENT INCOME

Pension Scheme	2017	2016
Gross interest income on Government Bonds	**1 542 095 489**	788 518 310
Gross interest income on treasury bills	**690 471 265**	690 106 581
Interest income on fixed term deposits	**765 550 895**	758 115 912
Infrastructure and Real estate	**241 343 855**	143 322
Net rental income	**42 257 290**	32 861 137
Interest on cash deposits	**32 674 154**	47 808 679
Dividend from equities	**28 216 686**	22 698 268
Interest income on other stocks and bonds	**11 984 816**	14 560 524
Sundry income	**3 330 932**	372 097
	3 357 925 384	2 355 184 830

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8 NET EXCHANGE (LOSSES) GAINS	2017	2016
Foreign exchange losses	**(16 981 284)**	(18 501 202)
Exchange gains	**7 741 594**	14 850 952
	(9 239 690)	(3 650 250)

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

9 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

Withholding tax @ 15% on interest on Treasury Bills and Government bonds	**266 571 052**	216 800 936
Included under current liabilities		
Payable in respect of previous year	**127 647 712**	68 126 027
Payable in respect of the current year	**266 571 052**	216 800 936
	394 218 764	284 926 963
Withholding tax suffered at source	**(257 869 015)**	(157 279 251)
Current tax liabilities	**136 349 749**	127 647 712

10 EMPLOYEE BENEFIT EXPENSES

Salaries and other staff benefit costs	**241 839 973**	198 980 979
Pension costs	**16 423 057**	13 302 326
	258 263 030	212 283 305

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**

Kwacha

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

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 table
	-Post retirement	A(55) Males/ females ultimate table
Number of members		25

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 Authority 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.

11 ADMINISTRATIVE EXPENSES

	2017	2016
Rent	**27 195 408**	14 116 983
Staff welfare and training	**16 641 675**	10 745 151
Office and related expenses	**16 611 126**	14 819 593
Computer expenses	**14 631 349**	21 988 835
Sports expenses	**12 989 624**	9 079 475
Advertising and promotion	**12 101 845**	5 318 558
Travelling expenses	**9 508 086**	8 736 242
Motor vehicle expenses	**5 870 477**	5 150 824
Authority expenses	**3 765 349**	4 506 383
Printing and stationery	**3 597 268**	3 911 094
Other expenses	**2 262 921**	1 294 585
Appointments	**1 897 325**	1 365 017
Building and repairs	**1 779 693**	990 234
Legal fees	**1 653 259**	2 198 153
Audit fees	**1 500 000**	1 562 973
Employer seminars	**1 354 530**	747 914
Bank charges	**1 263 280**	1 276 281
Telephone and postage	**1 239 294**	2 632 709
Cleaning materials	**1 171 025**	856 159
Corporate Social Responsibility	**847 150**	-
Professional fees CSO	**660 000**	450 000
Electricity and water	**595 334**	514 767
Donation and grants	**588 621**	332 575
Relocation costs	**485 303**	6 733 610
Books and magazines	**432 662**	409 073
	140 642 601	119 737 188

12. GOVERNMENT SECURITIES

Government bonds	**7 922 210 236**	4 868 874 829
Treasury bills	**2 937 343 141**	3 664 488 509
	10 859 553 377	8 533 363 338

12.1 Government bonds

At beginning of year	**4 868 874 829**	4 106 317 718
Purchases	**5 676 506 201**	1 946 557 611
Bonds matured during the year	**(2 748 431 024)**	(1 549 515 469)
Change in fair value	**125 260 231**	365 514 969
At end of year	**7 922 210 237**	4 868 874 829

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2017

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		2017	2016
12	**GOVERNMENT SECURITIES (CONTINUED)**		
12.1	**Government bonds (continued)**		
	Maturity analysis:		
	2 to 5 year Government bonds	**5 807 115 835**	3 178 670 719
	7 to 15 year Government bonds	**2 115 094 401**	1 690 204 110
		7 922 210 236	4 868 874 829
	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 2016 and December 2026.		
12.2	**Treasury bills**		
	At beginning of year	**3 664 488 509**	1 454 899 706
	Purchases	**3 261 415 908**	4 172 477 097
	Treasury bills matured during the year	**(3 918 483 988)**	(2 140 988 125)
	Change in fair value	**(70 077 289)**	178 099 832
		2 937 343 140	3 664 488 510
	Total Government securities	**10 859 553 377**	8 533 363 338
12.3	**Fair value movement**		
	Government bonds	**125 260 231**	365 514 969
	Treasury bills	**(70 077 289)**	178 099 832
		55 182 941	543 614 801
13	**OTHER SECURITIES**		
	Fixed term deposits	**4 201 754 086**	3 384 901 859
	Other stocks and bonds	**77 517 892**	113 691 625
		4 275 657 564	3 498 593 484
13.1	**Fixed term deposits**		
	Zambia National Commercial Bank Plc	**827 341 532**	288 254 291
	Stanbic Bank Zambia Limited	**623 247 805**	544 473 424
	Barclays Bank Zambia Plc	**522 476 672**	648 811 431
	Standard Chartered Bank Zambia Plc	**504 284 915**	488 275 487
	Indo-Zambia Bank Limited	**342 362 476**	101 128 587
	Finance Bank Zambia Limited	**242 453 841**	304 301 948
	Citi Bank	**204 518 552**	-
	Ecobank Limited	**202 863 403**	118 344 949
	First National Bank Limited	**148 308 471**	172 737 254
	Access Bank Zambia Limited	**142 170 922**	53 201 359
	Development Bank Of Zambia	**106 819 435**	63 470 351
	Cavmont Capital Bank Limited	**102 991 972**	130 988 466
	Investrust Bank Plc	**96 554 185**	196 467 618
	United Bank of Africa Limited	**43 754 016**	19 340 880
	Intermarket Banking Corporation Limited *	**43 072 308**	36 927 632
	Zambia National Building Society	**32 473 111**	18 960 459
	First Alliance Bank Limited	**23 441 301**	34 685 010
	First Capital Bank	**20 559 041**	-
	Commerce Bank Limited (In Liquidation)	**1 365 977**	1 365 977
	First Merchant Bank Limited (In liquidation)	**847 187**	847 187
	Credit Africa Bank Limited (In Liquidation)	**793 790**	793 790
	Union Bank Limited (In Liquidation)	**299 850**	299 850
	Union Bank Limited (In Liquidation)	**231 762**	235 096
	Union Leasing Zambia Limited (In liquidation)	**202 835**	202 835
	UniFinance Zambia Limited (In liquidation)	**119 837**	119 837
	United Bank of Zambia Limited (In Liquidation)	**80 517**	80 517
	Cavmont Capital Bank Limited (In liquidation)	**430**	430
	BancABC Limited	**-**	192 469 253
		4 233 636 143	3 416 783 916
	Less: Impairment provision	**(31 882 057)**	(31 882 057)
		4 201 754 086	3 384 901 859

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13 OTHER SECURITIES (CONTINUED)

13.1 Fixed term deposits (continued)

*During the year, the operations of the previously repossesed Intermarket Banking Corporation Limited were discontinued by the Central Bank and a new bank, Zambia Industrial Commercial Bank Limited (ZICB) was formed. The Shareholders & Purchase Assumption agreements to convert the Fixed Term Deposit in the old Intermarket Banking Corporation Limited into equity of the newly incorporated ZICB were executed in November 2017. However, as at the reporting date, the shares were yet to be alloted.

Other stocks and bonds	**2017**	2016
Stanbic Bank Zambia Ltd	**66 786 873**	68 290 049
Madison Financial Services Plc	**10 731 019**	11 436 919
Meridian BIAO Bank Limited (In liquidation)	**11 252**	11 252
IZWE Loans Zambia Limited	**-**	7 744 778
International Finance Coporation	**-**	26 243 151
	77 529 144	113 726 149
Less: Impairment provision	**(11 252)**	(11 252)
	77 517 892	113 714 897

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 +400 basis points margin respectively. As at the year end, the bonds were due to mature in 2018, 2019 and 2021 respectively.

Madison Financial Services Plc

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. As at the year end, the bonds were due to mature in 2020.

14 EQUITY INVESMENTS

	2017	2016
Pension Scheme		
Investments in shares listed on LuSE	**1 557 919 611**	1 385 872 999
Investment in Society House Development Company	**19 630 853**	**-**
Investment in Levy Business Park Hotel	**17 844 345**	17 844 345
	1 595 394 808	1 403 717 344
Less Impairment	**(16 031 929)**	(16 031 929)
	1 579 362 879	1 387 685 415

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

14.1 Investments in shares listed on LuSE

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

At beginning of year	**1 385 872 999**	1 828 052 464
Shares in CEC Africa*	**6 311 733**	**-**
Change in fair value	**165 734 879**	(442 179 464)
	1 557 919 611	1 385 872 999

* These are dividends in kind awarded to the Authority in form of shares in CEC Africa following the delinking of CEC Africa from the CEC group.

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14 EQUITY INVESMENTS (CONTINUED)	2017	2016
14.1 Investments in shares listed on LuSE (continued)		
Fair value Movement		
Shares	**165 734 879**	(442 179 464)

The equity investments comprised shares in the following entities:

	No. of shares	Share price	2017 Market Value	2016 Market Value
Pension Scheme				
ZCCM - Investment Holdings Plc	**24 120 043**	**38**	**916 561 634**	916 561 634
Zambia Sugar Plc	**30 788 019**	**2.70**	**83 127 650**	92 364 056
Standard Chartered Bank Plc	**39 873 975**	**2.81**	**112 045 870**	69 380 717
Zambeef Plc	**24 797 819**	**3.00**	**74 393 457**	61 994 548
Lafarge Zambia Plc	**9 499 942**	**6.25**	**59 374 638**	49 209 700
Puma Energy Zambia Plc	**49 972 746**	**1.00**	**49 972 746**	42 476 834
Zambia National Commercial Bank Plc	**140 355 063**	**0.97**	**136 144 411**	40 702 968
Real Estate Investments Zambia Plc	**5 691 431**	**5.50**	**31 302 871**	31 302 871
National Breweries Plc	**1 400 000**	**12.50**	**17 500 000**	18 200 000
Metal Fabricators of Zambia Plc	**3 290 567**	**4.82**	**15 860 532**	16 452 835
British American Tobacco Zambia Plc	**6 394 439**	**2.00**	**12 788 878**	15 666 376
Copperbelt Energy Corporation Plc	**15 779 333**	**1.44**	**22 722 240**	13 728 020
CEC Africa Plc	**15 779 333**	**0.40**	**6 311 733**	-
Prima Re-Insurance Plc	**4 281 895**	**2.50**	**10 704 738**	12 417 496
Pamodzi Hotel Plc	**4 164 607**	**0.62**	**2 582 056**	2 582 056
African Explosives Zambia Plc	**293 798**	**18.49**	**5 432 325**	2 012 516
Cavmont Capital Holdings Plc	**546 916**	**2.00**	**1 093 832**	820 374
			1 557 919 611	1 385 872 999
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
Kapiri Glass Products Limited (In Liquidation)	**150 000**	**1**	**150**	150
			2 205 980	2 205 980
Less: Impairment provision			**(2 205 980)**	(2 205 980)
			-	-

The share above are in the name of the closed Zambia National Provident Fund.

14.2 Investment in Society House Development Company

The Authority holds 100% interest in Society House Development Company . 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.

14.3 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.

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15 LOANS AND ADVANCES	2017	2016
This asset class relates to Real estate and Infrastructure that the Authority has invested in.		
Receivable from:		
National Road Fund Agency Loan (Note 15.1)	**1 437 287 517**	-
Society House Development Company Limited (Note 15.2)	**1 088 968 073**	789 001 094
Phantom Exchange (Note 15.3)	**2 362 592**	-
Other Receivables (Note 15.4)	**1 067 087**	1 067 087
	2 529 685 268	790 068 181
Impairment provision (Note 15.5)	**(3 429 679)**	(1 067 087)
	2 526 255 589	789 001 094

15.1 National Road Fund Agency Loan (NRFA)

Under the newly approved Infrastructure Asset class, the Authority approved a Debt facility of K 2.1 billion for the construction of the North corridor road stretching from Ndola to Solwezi including the construction of the Toll plazas. This was made via a loan to the National Road Fund Agency (NRFA) .

The loan is a 10 year loan whose pricing is benchmarked to a yield of 10 years Government Bond plus a margin of 1.5 % over and above. Loan recoveries are on a monthly basis. By 31 December 2017, the Authority disbursed a total amount of K1.4 billion and earned interest on amounts disbursed of K74 million. The interest earned is exempt from Withholding tax.

Principal repayments during the period amounted to K 14 million.

15.2 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").

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 redevelopment 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. The Loan agreement provides for amendment of the concession period at the sole discretion of the Authority should the amounts due to it not have been fully recovered at the end of the concession period. Further, the collateral of the loan is the Project assets.

The Authority made a proposal to Zambia National Building Society to purchase the Project assets (Society house). The ZNBS board has approved the request and currently waiting for approval from its Shareholder as required by Government regulations. Discussions have received an advanced stage. Consequently, the Trustees believe that the asset has been carried at its realisable value and no impairment has accordingly been recorded.

15.3 Phantom Exchange

The Authority guaranteed a loan in the sum of K3 million granted to Phantom Exchange Limited by Stanbic Bank Limited. Subsequently Phantom defaulted on its loan repayment and the Authority paid Stanbic bank the outstanding amount.

The Authority subsequently sued and obtained judgement against Phantom for the payment of the guaranteed sum plus interest.

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15 LOANS AND ADVANCES (CONTINUED)	2017	2016
15.4 Other receivables		
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
15.5 Impairment provisions		
The provisions are comprised of the following:		
Phantom Exchange	**2 362 592**	2 362 592
Other receivables	**1 067 087**	1 067 087
Balance at end of the year	**3 429 679**	3 429 679
Movement in allowance for doubtful debts		
Balance at the beginning of the year	**1 067 087**	1 067 087
Impairment loss recognised in the year	**2 362 592**	-
Balance at the end of the year	**3 429 679**	1 067 087

16 INVENTORY		
Housing inventory:		
Inventory - Northgate Gardens	**191 278 214**	190 926 841
Inventory - Kalulushi Housing	**163 209 704**	50 900 042
Inventory - Nyumba Yanga	**50 900 042**	256 607 717
	405 387 960	498 434 600
Impairment loss	**(99 408 867)**	(123 658 286)
	305 979 093	374 776 314
Movement in impairment on housing inventory		
Balance at beginning of the year	**123 658 286**	48 806 961
Impairment derecognised on inventories (sale of houses)	**(51 202 713)**	-
Impairment recognised on inventories	**26 953 294**	74 851 325
Balance at end of the year	**99 408 867**	123 658 286

The Authority has written down the value of housing inventory by K26,953,294 to reflect the net relisable value.

17 INVESTMENT PROPERTIES	2017	2016
Pension Scheme		
Balance at beginning of the year	**1 921 141 759**	1 613 803 045
Additions	**393 642 835**	307 578 883
Changes in fair value	**-**	(240 169)
Balance at end of the year	**2 314 784 594**	1 921 141 759

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17 INVESTMENT PROPERTIES (CONTINUED)

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

The fair value of the Authority's investment properties as at 31 December 2017 and 31 December 2016 has been arrived at on the basis of a valuation carried out by Liberty Properties and Sherwood Green as at 31 December 2016. Both 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 **K2,314,784,594** (31 December 2016: K1,921,141,759) has been categorised as a Level 2 fair value based on the inputs to the valuation technique used.

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.

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

Significant unobservable inputs	Sensitivity
The following are the Significant unobservable inputs	The estimated fair value would increase (decrease) if:
• Expected market rental growth (10-15%. Weighted average 12.5%).	• Expected market rental growth were higher (lower):
• Void periods (average 1 months after the end of each cancelled lease).	• Void periods were shorter (longer);
• Occupancy rate (92.5-97.5% weighted average (95%).	• The occupancy rate were higher (lower);
• Rent-free periods (2-month period on new leases).	• Rent-free periods were shorter (longer); or
• Risk-adjusted discount rates (10-25%. weighted average 17.5%).	• The risk-adjusted discount rate were lower (higher).

18 BANK AND CASH BALANCES

	2017	2016
Bank balances held at various banks	**139 061 494**	576 709 039

19 EMPLOYEE RECEIVABLES

Staff loans and advances	**6 410 092**	4 437 490
Bad debts provision	**(23 250)**	(26 250)
	6 386 842	4 411 240
Movement in allowance for doubtful debts		
Balance at the beginning of year	**26 250**	26 250
Amounts recovered during the year	**(3 000)**	-
Balance at end of the year	**23 250**	26 250

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20	OTHER RECEIVABLES	2017	2016
	Rental receivables	**134 604 354**	114 451 982
	VAT recoverable	**81 431 294**	48 345 446
	Dividend receivables	**6 889 278**	163 497
	Prepayments	**5 688 096**	5 495 131
	Sundry receivables	**3 600 601**	7 733 795
		232 213 623	176 189 852
	Bad debt provision	**(132 864 004)**	(107 445 944)
		99 349 618	68 743 908
	Movement in allowance for doubtful debts		
	Balance at the beginning of year	**107 445 944**	77 004 404
	Impairment losses recognised on rent receivables	**26 164 069**	69 963 092
	Amounts recovered during the year	**(746 009)**	(39 521 551)
	Balance at end of the year	**132 864 004**	107 445 944

21	CONTRIBUTIONS RECEIVABLE FROM MEMBERS		
	Member contributions	**689 891 011**	206 719 699

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

The Authority's policy requires that contribution income is accounted for on the basis of receipts from 11 January of each year to 10 January of the following year. Contribution income from 1 January to 10 January 2018 amounted to **K144,729,228** (2016: K206,719,699).

Other than contributions received between 1 January and 10 January 2018, the Authority received member contributions during the year which were not receipted by year end pending completion of a product for processing bulk returns. These amounted to **K545,161,783** out of which K301 million relates to Government remittances.

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22 CHANGE IN MARKET VALUE FOR INVESTMENTS

	Value at 1st January 2017	Puchases at Cost	Receipts	Change in Market value
Equity	1 385 873 000	6 311 733	-	165 734 879
Government Bonds	4 868 874 829	5 676 506 201	(2 748 431 024)	125 260 231
Treasury bills	3 664 488 509	3 261 415 908	(3 918 483 988)	(70 077 289)
Other securities	3 498 593 484	9 873 792 435	(9 096 728 356)	-
Investment property	1 921 141 759	393 642 835	-	-
	15 338 971 581	**19 211 669 112**	**(15 763 643 368)**	**220 917 821**

23 PROPERTY AND EQUIPMENT

Pension Scheme

	Capital Work in Progress	Motor vehicles	Office furniture, equipment and fittings	Total
Cost				
Balance at 1 January 2016	38 695 829	43 247 096	27 723 011	109 665 936
Additions	38 674 516	18 309 208	9 742 298	66 726 021
Disposals		(5 596 241)	(1 852 253)	(7 448 494)
Balance at 31 December 2016	**77 370 345**	**55 960 063**	**35 613 056**	**168 943 463**
Additions	15 485 558	11 888 190	17 462 320	44 836 069
Disposals		(1 807 526)	(3 895 348)	(5 702 875)
Balance at 31 December 2017	**92 855 903**	**66 040 727**	**49 180 028**	**208 076 657**
Accumulated depreciation and impairment				
Balance at 1 January 2016	-	22 265 262	17 002 683	39 267 945
Charge for year	-	8 354 243	5 376 997	13 731 240
Eliminated on disposal	-	(4 681 572)	(186 710)	(4 868 282)
Balance at 31 December 2016	-	**25 937 933**	**22 192 970**	**48 130 903**
Charge for year	-	9 860 112	5 705 038	15 565 150
Eliminated on disposal	-	(1 158 039)	(3 478 841)	(4 636 879)
At 31 December 2017	**-**	**34 640 006**	**24 419 167**	**59 059 173**
Carrying amount				
At 31 December 2017	**92 855 903**	**31 400 721**	**24 760 860**	**149 017 484**
At 31 December 2016	77 370 345	30 022 130	13 420 086	120 812 561

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		2017	2016
24	**CAPITAL COMMITMENTS**		
	As at 31 December 2017 the Authority had capital commitments of **K295 million** (2016: K117 million).		
25	**PROVISIONS FOR CLAIMS PAYABLE**		
	Claims payable include ongoing litigation cases whose ultimate resolution will, in the Trustee's view result in loss to the Authority. The amounts accrued are at Trustees' best estimate of the likely outcome of those claims.		
	Pension scheme		
	At the beginning of the year	**12 795 188**	14 358 185
	Charge for the year	**241 948**	12 045 986
	Payments during the year	**-**	(13 608 983)
	At the end of the year	**13 037 136**	12 795 188
	Provident fund		
	At the beginning of the year	**-**	29 398 178
	Payments during the year	**-**	(29 398 178)
	At the end of the year	**-**	
26	**OTHER PAYABLES AND ACCRUALS**		
	Pension Scheme		
	Provisions	**182 072 072**	104 398 194
	Other Creditors	**67 278 867**	11 474 709
	Accrued expenses	**47 051 588**	54 173 865
	Amounts due to related parties	**45 026 459**	44 167 935
	Deposit on sale of houses	**43 536 374**	39 017 790
	Collateral held on investments	**7 096 709**	48 626 911
		392 062 069	301 859 404
26.1	**Collateral Held by the Authority**		
	As as 31st December 2017, the Authority held collateral worth K996 million in form of Government bonds and Treasury bills in respect of Fixed Term deposits.		
27	**DEFERRED LIABILITIES**		
	Pension Scheme		
	Deferred liabilities comprise provisions for retirement benefits and other employee provisions estimated to become payable after more than one year. The movements on the account during the year were as follows:		
	At beginning of year	**3 726 445**	6 053 416
	Charge for the year	**4 857 330**	5 817 440
	Paid during the year	**(1 597 037)**	(8 144 411)
	At end of year	**6 986 737**	3 726 445

28 CONTINGENT LIABILITIES

Other than the liability to pay pensions and other benefits there were no other contingent liabilities of the Scheme as at 31 December 2017, as all other deemed likely to crystalise have been provided for.

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29 RELATED PARTY TRANSACTIONS

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

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

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

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

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

The financial impact of transactions with relsted parties at the end of the year are as follows:

	2017	2016
(a) Amounts due from subsidiaries		
Society House Development	**1 088 968 073**	789 001 094
The loan has been disclosed on		
(b) Amounts due to subsidiaries		
Levy Business Park Hotel Limited (note 26)	**45 026 459**	44 167 935
The amount relates to funds from the hotel that the Authority is investing on behalf of its subsidiary. A fund management agreement that would form the basis for a management fee is yet to be finalised.		
(c) Other recievables		
National Road Fund Agency (note 15)	**1 437 287 517**	-
Recoverables from the Ministry of Labour and Social Security	**559 155**	506 230
Government loans	**187 463**	187 463
Parastatal and private sector	**88 227**	88 227
Interest on Government loans	**23 746**	23 746
Local Authority loans	**2 918**	2 918
	302 354	302 354
(d) Compensation of Trustees		
The remuneration of Board and Committee members during the year was as follows:		
Allowances and expenses	**3 765 349**	4 506 383
(e) Compensation key management personnel		
The remuneration of key management personnnel during the year was as follows:		
Salaries and allowances	**13 788 156**	8 801 952
Gratuity	**-**	2 863 292
	13 788 156	11 665 244

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

30 FAIR VALUE MEASUREMENTS

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).

* This amount excludes prepayments and VAT receivable

At 31 December 2017, the Authority did not have financial liabilities measured at fair value (2016: nil).

Financial asset	Fair value hierarchy	Valuation techniques	2017	2016
Listed securities	Level 1	(i)	**1 557 919 611**	1 385 872 999
Government bonds	Level 2	(ii)	**7 922 210 236**	4 868 874 829
Treasury bills	Level 2	(ii)	**2 937 343 141**	3 664 488 509
Other stocks and bonds	Level 2	(ii)	**77 517 892**	113 691 625

(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 2017, the Authority did not have financial liabilities measured at fair value (2016: nil).

Financial Assets	**2017**		2016	
Pension Scheme	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Loans and receivables				
Loans and advances	**2 526 255 589**	**2 526 255 589**	789 001 094.00	789 001 094
Contribution receivables	**689 891 011**	**689 891 011**	206 719 699.00	206 719 699
Bank and cash balances	**139 061 494**	**139 061 494**	558 853 142.00	558 853 142
Other receivables*	**99 349 618**	**99 349 618**	63 085 279.00	63 085 279
Employee receivables	**6 386 842**	**6 386 842**	4 411 240.00	4 411 240
	3 460 944 554	**3 460 944 554**	1 622 070 454.00	1 622 070 454

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Fair value hierarchy

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Government securities	**-**	**10 859 553 377**	**-**	**10 859 553 377**
Other securities	**-**	**77 517 892**	**4 201 754 086**	**4 279 271 979**
Equity Investments	**1 557 919 611**	**-**	**37 475 197**	**1 595 394 808**
Loans and advances	**-**	**-**	**2 526 255 589**	**2 526 255 589**
Bank and cash balances	**-**	**-**	**139 061 494**	**139 061 494**
Contributions receivables	**-**	**-**	**689 891 011**	**689 891 011**
Other receivables*	**-**	**-**	**99 349 618**	**99 349 618**
Employee receivables	**-**	**-**	**6 386 842**	**6 386 842**
Total	**1 557 919 611**	**10 937 071 269**	**7 700 173 838**	**20 195 164 718**

	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

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31 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.

31.1 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:

(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 2017, if the market prices had strengthened by 10%, increase in net assets for the year would have been **K157,936,287** higher (2016: K138,768,541) mainly as a result of equity investments.

At 31 December 2017, if the market prices had weakened by 10%, decrease in net assets for the year would have been **K157,936,287** lower (2016: K138,768,541) mainly as a result of equity investments.

31.2 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 2017 is as follows:

Pension Scheme	**2017**	2016
Government securities (note 12)	**10 859 553 377**	8 533 363 338
Fixed term deposits (note 13)	**4 201 754 086**	3 384 901 859
Equity investments (note 14)	**1 579 362 879**	1 387 685 415
Other receivables (note 20)	**99 349 618**	68 743 908
Cash and cash equivalents (note 18)	**139 061 494**	558 853 142
Other bonds (note 13)	**77 517 892**	113 714 897
	16 956 599 347	14 047 262 559

Collateral is held on certain fixed term deposits.

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	**134 604 354**	114 451 982
Provision for bad debts	**(132 864 004)**	(107 445 944)
	1 740 350	7 006 038

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

31.3 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 2017			
Other payables and accrued expenses	**392 062 069**	**-**	392 062 069
Deferred liabilities	**6 986 737**	**-**	6 986 737
At 31 December 2016			
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 2017			
Payables	**-**	**-**	**-**
At 31 December 2016			
Payables	15 705 937	-	15 705 937

32 EVENTS AFTER THE REPORTING DATE

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

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

33.1 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 2017.

Amendments to IAS 7 *Disclosure Initiative*

The Authority has applied these amendments in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Authority's liabilities arising from financing activities consist of borrowings and certain other financial liabilities such as finance leases. A reconciliation between the opening and closing balances of these items is provided in note 26 (b). Consistent with the transition provisions of the amendments, the Authority has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 26 (b), the application of these amendments has had no impact on the Authority's financial statements.

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

The Authority has applied these amendments in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the financial statements as the Authority already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle

The Authority has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle in the current year.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Authority's financial statements.

33.2 New and revised IFRSs in issue but not yet effective

The Authority has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments1
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications)
IFRS 16	Leases2
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture3
Amendments to IAS 40	Transfers of Investment Property1
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle1
IFRIC 22	Foreign Currency Transactions and Advance Consideration1

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.

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

33.2 New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 *Financial Instruments*

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

Key requirements of IFRS 9:

• all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

• the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the authortiy are still in the process of assessing the impact of this standard on the operations of the Company. It is expected that this standard will not have a material impact on how the company recognises its provisions for doubtful debts and how it classifies its financial assets and financial liabilities which will have to be in line with the business model.

IFRS 15 *Revenue from Contracts with Customers*

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

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

33.2 New and revised IFRSs in issue but not yet effective (continued)

IFRS 15 *Revenue from Contracts with Customers (continued)*

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Authority recognises revenue from the following major sources:

- Member Contributions

The directors are still in the process of the assessing the impact of this standard on the operations of the authority. It is anticipated that the implementation of this standard may not have a material impact on the financial statements of the authority.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

In contrast, for finance leases where the Authority is a lessee, the Authority has already recognised an asset and a related finance lease liability for the lease arrangement.

Further in cases where the Authority is a lessor (for both operating and finance leases), the application of this standard is not applicable and the directors of the Authority do not anticipate that the application of IFRS 16 will have an impact on the amounts recognised in the Authority financial statements as the company is not a lesser.

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

33.2 New and revised IFRSs in issue but not yet effective (Continued)

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

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
i) the original liability is derecognised;
ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The directors of the Authority do not anticipate that the application of the amendments in the future will have a significant impact on the Authority's financial statements as the Authority does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Authority anticipate that the application of these amendments may not have an impact on the authority's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The directors of the Authority anticipate that the application of these amendments may have an impact on the Authority's financial statements in future periods should there be a change in use of any of its properties.

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

33.2 New and revised IFRSs in issue but not yet effective (Continued)

Annual Improvements to IFRSs 2014 – 2016 Cycle

The Annual Improvements include amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Authority. The package also includes amendments to IFRS 12 which is mandatorily effective for the Authority in the current year.

The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. The directors of the Authority do not anticipate that the application of the amendments in the future will have any impact on the financial statements as the Authority is neither a first-time adopter of IFRS nor a venture capital organisation. Furthermore, the Authority does not have any associate or joint venture that is an investment entity.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non- monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Authority do not anticipate that the application of the amendments in the future will have an impact on the Authority financial statements. This is because the Authority already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX I - STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

Kwacha

	Pension Scheme 2017	Pension Scheme 2016 Consolidated	Pension Scheme 2016	Provident 2 016
Member service operations:				
Contributions receivable from Members	**3 270 016 158**	2 934 587 755	2 934 587 755	-
Benefit claims and refunds	**(261 466 666)**	(285 149 880)	(285 149 880)	(165 680 378)
Normal retirement pensions	**(243 855 679)**	(222 850 787)	(222 850 787)	
ZNPF payments	**(201 796 855)**	(165 680 378)		-
	2 562 896 958	2 260 906 710	2 426 587 088	(165 680 378)
Investment operations:				
Investment revenue				
- Interest on Government bonds	**1 542 095 489**	788 518 310	788 518 310	-
- Interest on treasury bills	**765 550 895**	690 106 581	690 106 581	-
- Interest on term deposits	**690 471 265**	758 115 912	758 115 912	-
- Other investments	**289 333 758**	62 389 236	62 389 236	-
- Rental income	**42 257 290**	32 861 137	32 861 137	-
- Dividend income	**28 216 686**	22 698 268	22 698 268	-
Loss on sale of properties	**-**	(2 195 780)	(2 195 780)	-
Handling fees	**(31 990 273)**	(23 338 145)	(23 338 145)	-
Revaluation of equity	**165 734 879**	(442 179 464)	(442 179 464)	-
Surplus on revaluation of investments properties	**-**	(240 169)	(240 169)	-
Surplus on revaluation of financial assets	**55 182 942**	543 614 801	543 614 801	-
Impairment housing inventory	**(26 953 294)**	(74 851 325)	(74 851 325)	
Writeback recevables		26 089 260	26 089 260	
Bad and doubtful debts provision	**(26 164 069)**	(69 963 092)	(69 963 092)	-
Interest on loans and advances	**-**	143 322	143 322	-
	3 493 735 569	2 311 768 852	2 311 768 852	-
Other operating income:				
- Exchange gains (losses)	**(13 755 625)**	(3 650 250)	(3 650 250)	-
- Gain (loss) on disposal of plant and equipment	**700 552**	903 778	903 778	-
- Sundry income	**-**	352 064	352 064	-
	(13 055 073)	(2 394 408)	(2 394 408)	-
Management expenses:				
- Employee benefit expenses	**(241 839 973)**	(198 980 979)	(198 980 979)	-
- Administration expenses	**(140 642 601)**	(159 102 900)	(119 737 188)	(39 365 712)
- Pension cost	**(16 423 057)**	(13 302 326)	(13 302 326)	-
- Depreciation	**(15 565 150)**	(13 731 240)	(13 731 240)	-
	(414 470 782)	(385 117 445)	(345 751 733)	(39 365 712)
Surplus of income over expenditure before finance costs and taxation	**5 629 106 672**	4 185 163 709	4 390 209 799	(205 046 090)
Interest expense	-	-	-	-
	5 629 106 672	4 185 163 709	4 390 209 799	(205 046 090)
Surplus of income over expenditure/ (Excess of expenditure over income) for year before taxation	**5 629 106 672**	4 185 163 709	4 390 209 799	(205 046 090)
Income tax expense	**(266 571 052)**	(216 800 936)	(216 800 936)	-
Surplus of income over expenditure (excess of expenditure over income) after tax	**5 362 535 621**	3 968 362 773	4 173 408 863	(205 046 090)

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX II - STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2017

Kwacha

	Pension Scheme		Pension Scheme	Provident Fund
	2017	2016	2016	2016
ASSETS				
Bank and cash balances	**139 061 494**	576 709 039	558 853 142	17 855 897
Financial assets	**16 714 573 820**	13 401 797 892	13 401 797 892	-
Loans and advances	**2 526 255 589**	-	-	-
Employee receivables	**6 386 842**	4 411 240	4 411 240	-
Members' contributions receivables	**689 891 011**	206 719 699	206 719 699	-
Other receivables	**99 349 618**	68 743 908	68 743 908	-
Current account with ZNPF	**-**		263 267 499	-
Inventory	**1 858 115**	233 971	233 971	-
Inventory investments	**305 979 093**	374 776 313	374 776 313	-
Investment in Stay easy	**-**	17 844 345	17 844 345	-
Investment in society house	**-**	789 001 094	789 001 094	-
Investment properties	**2 314 784 595**	1 921 141 759	1 905 606 302	15 535 457
Property, plant and equipment	**149 017 484**	120 812 561	120 812 561	-
TOTAL ASSETS	**22 947 157 661**	17 482 191 821	17 712 067 966	33 391 354
LIABILITIES				
Current account with NAPSA	**-**	-	-	263 267 499
Other payables and accruals	**392 062 069**	301 859 405	286 153 468	15 705 937
Claims payable	**13 037 136**	12 795 188	12 795 188	-
Deferred liabilities	**6 986 737**	3 726 445	3 726 445	-
Current tax liabilities	**136 349 749**	127 624 440	127 624 440	-
	548 435 691	446 005 478	430 299 541	278 973 436
ACCUMULATED FUNDS				
Accumulated funds	**22 232 987 089**	17 382 247 220	17 382 247 220	-
Members' funds	**-**	(673 252 368)	-	(673 252 368)
Investment revaluation reserve	**165 734 879**	188 020 464	(100 478 794)	288 499 258
Property revaluation reserve	**-**	71 313 796	-	71 313 796
Other reserves	**-**	67 830 631	-	67 830 631
Annuity account	**-**	26 601	-	26 601
	22 398 721 969	17 036 186 344	17 281 768 426	(245 582 082)
TOTAL LIABILITIES AND ACCUMULATED FUNDS	**22 947 157 660**	17 482 191 822	17 712 067 967	33 391 354

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX III - STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
for the year ended 31 December 2017

Kwacha

Pension Scheme	**Investment revaluation reserves**	**Accumulated funds**	**Total**
Balance at 1 January 2016	**341 700 670**	**12 766 658 893**	**13 108 359 563**
Surplus of income over expenditure for year	**-**	**4 615 588 327**	**4 615 588 327**
Surplus on revaluation of equity	**(442 179 464)**	**-**	**(442 179 464)**
Balance at 31 December 2016	**(100 478 794)**	**17 382 247 220**	**17 281 768 426**
Surplus of income over expenditure for year	-	5 190 489 008	5 190 489 008
Surplus on revaluation of equity	172 046 612	-	172 046 612
Balance at 31 December 2016	**71 567 818**	**22 572 736 228**	**22 644 304 047**

Pension Scheme **Consolidated**	**Annuity account**	**Members funds**	**Property revaluation reserve**	**Investment revaluation reserves**	**Accumulated funds**	**Total**
Balance at 1 January 2016	26 601	(551 112 901)	71 313 796	630 199 928	12 917 396 149	13 067 823 573
Benefit claims and refunds	-	(122 139 465)	-	-	-	(122 139 465)
Surplus of income over expenditure for year	-	-	-	-	4 532 681 702	4 532 681 702
Surplus on revaluation of equity				(442 179 464)	-	(442 179 464)
Balance at 31 December 2016	**26 601**	**(673 252 366)**	**71 313 796**	**188 020 464**	**17 450 077 851**	**17 036 186 346**
Surplus of income over expenditure for year	**-**	**-**	**-**	-	**5 196 800 742**	**5 196 800 742**
Surplus on revaluation of equity	**-**	**-**	**-**	**165 734 879**	**-**	**165 734 879**
Balance at 31 December 2017	**26 601**	**(673 252 366)**	**71 313 796**	**353 755 343**	**22 646 878 592**	**22 398 721 967**

Provident Fund	**Annuity account**	**Members funds**	**Property revaluation reserve**	**Investment revaluation reserve**	**Other reserves**	**Total**
Balance at 31 December 2015	**26 601**	**(551 112 901)**	**71 313 796**	**288 499 258**	**150 737 256**	**(40 535 992)**
Benefit claims and refunds (note 6)	-	(122 139 465)	-	-	-	(122 139 465)
Surplus of income over expenditure for year	-	-	-	-	(82 906 625)	(82 906 625)
Balance at 31 December 2016	**26 601**	**(673 252 366)**	**71 313 796**	**288 499 258**	**67 830 631**	**(245 582 082)**