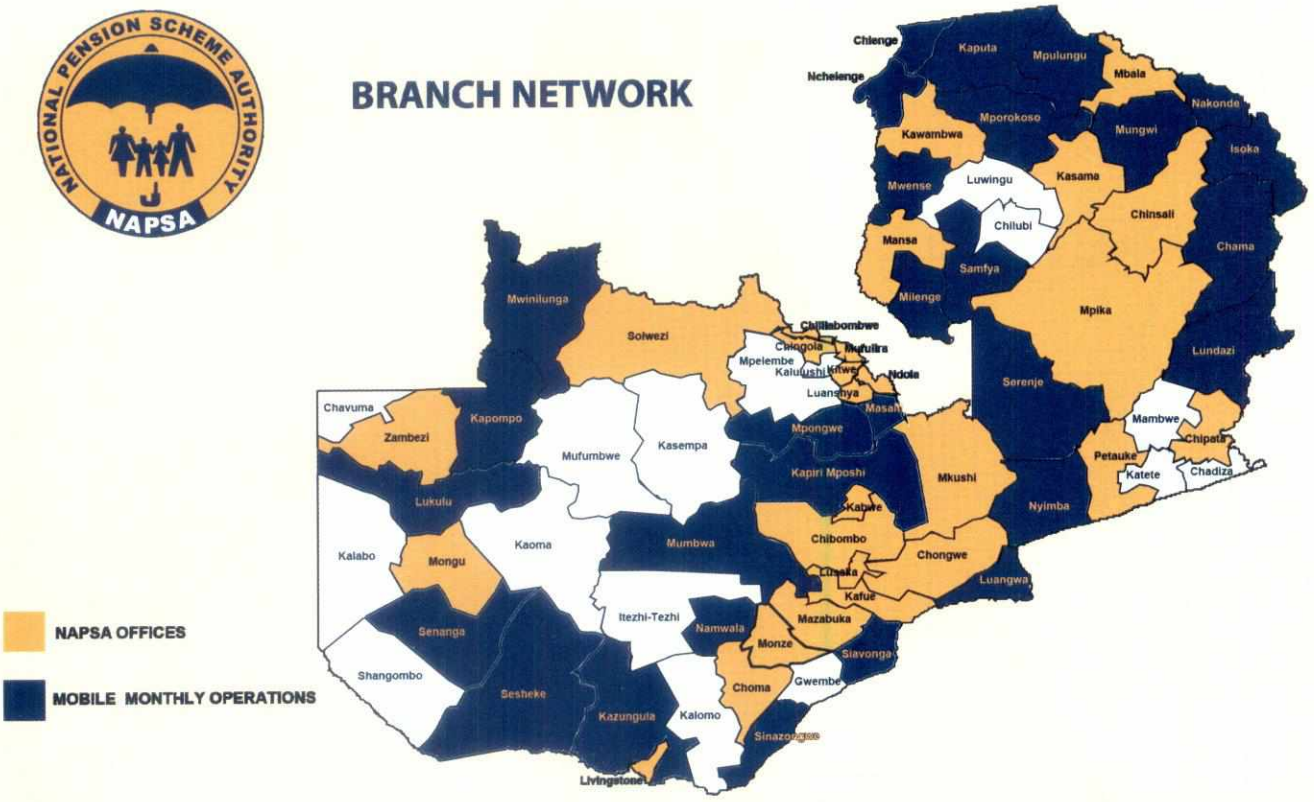
# NATIONAL PENSION SCHEME AUTHORITY

# ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2021

Be smart, secure your future

# BRANCH NETWORK




| | | | | |
|---|---|---|---|---|
| **CHINGOLA**<br>Clen Building<br>P O Box 10324<br>Tel: +260-212-311823 / 312839 | **CHIPATA**<br>Provident House<br>P O Box 510260<br>Tel: +260-216-223427/ 221003 | **CHOMA**<br>Provident House<br>P O Box 267<br>Tel: +260-213-220786 | **KAWAMBWA**<br>Provident House<br>P O Box 730718<br>Tel: +260-212-960053 | **KAFUE**<br>P O Box 360041<br>Tel: +260-211-311555 |
| **KABWE**<br>Chitanda House<br>P O Box 80433<br>Tel: +260-215-221379/ 223129 | **LUANSHYA**<br>Nollies Building<br>Buntungwa Avenue<br>P O Box 90026<br>Tel: +260-212-512252 | **KITWE**<br>Provident House<br>Matuka Avenue<br>P O Box 223036<br>Tel: +260-212-224009/ 223361 | **KASAMA**<br>Compensation House<br>P O Box 410125<br>Tel: +260-214-221324 | **MAZABUKA**<br>Provident House<br>P O Box 670075<br>Tel: +260-213-230212/ 230345 |
| **LUSAKA**<br>Southern Region<br>Lusaka House<br>Tel: +260-211-226874/5 | **LIVINGSTONE**<br>Mosi Oa Tunya House<br>P O Box 60573<br>Tel: +260-213-322145/ 321444 | **MONGU**<br>Provident House<br>P O Box 910176<br>Tel: +260-217-221128/ 221415 | **MBALA**<br>Lake Press House<br>P O Box 420289<br>Tel: +260-214-450457 | **MANSA**<br>Provident House<br>P O Box 710190<br>Tel: +260-212-821236 |
| **MUFULIRA**<br>P O Box 40099<br>Tel: +260-212-411078/ 411654 | **MONZE**<br>Provident House<br>Tel: +260-213-250533/ 250222 | **MKUSHI**<br>Provident House<br>P O Box 840140<br>Tel: +260-215-362091/ 250222 | **ZAMBEZI**<br>P O Box 150151<br>Tel: +260-218-371105 | **NDOLA**<br>Kingstone Building<br>P O Box 72035<br>Tel: +260-212-610849 |
| **MPIKA**<br>Provident House<br>P O Box 450092<br>Tel: +260-214-370370 | **SOLWEZI**<br>Provident House<br>P O Box 110065<br>Tel: +260-218-821576/ 821342/821180 | **PETAUKE**<br>Provident House<br>P O Box 560170<br>Tel: +260-216-371123/ 371121 | **CHISAMBA**<br>Zambeef Building Fringila<br>P O Box 39<br>Tel: +260-211-843267/ 843271 | **CHONGWE**<br>NAPSA Chongwe<br>Plot #322<br>Chongwe Civic Centre<br>Tel: +260-211-620134 |
| **REGIONAL OFFICE - NORTH**<br>ZCCM IH Building<br>Katanda Street<br>Nkana East, Kitwe<br>P O Box 22929<br>Tel: 260-212-251406 | **REGIONAL OFFICE SOCIETY HOUSE**<br>P O Box 36342<br>Tel: +260-211-843268 | **CHILILABOMBWE OFFICE**<br>Plot# 1883, Bushbuck walk KCM-Konkola Integrated Business Unit<br>P O Box 210078<br>Chililabombwe<br>Tel: +260-212-380829 | **CHINSALI OFFICE**<br>Plot # 888<br>Nkalula Street<br>P O Box 630267<br>Chinsali<br>Tel: +260-214-565149 | *Corporate Affairs Unit*<br>*Tel: +260 211 221 677 / 228 054-8*<br>*LEVY BUSINESS PARK*<br>*Email: info@napsa.co.zm* |

# NAPSA ACTIVITIES IN PICTURES




NAPSA and Mumbhova Rural Health Clinic Staff pose for a photo after NAPSA donated various items to the Clinic



NAPSA and Lewanika General Hospital members of staff pose for a group photo.




Part of the items donated by NAPSA to Mumbhova Rural Health Clinic



The Area Manager - Mongu, Mr. Siyumbwa Gideon Situmbeko (Right), hands over one of the assorted medical equipment to the Lewanika General Hospital Medical Superintendent, Dr. Njekwa (Middle)




Area Manager Mabvuto Mumba hands over donated matresses to Mumbhova Assistant Sister incharge Dorica Nzala

**NATIONAL PENSION SCHEME AUTHORITY**

**FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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# NATIONAL PENSION SCHEME AUTHORITY

Annual Report and Financial Statements for the Year Ended 31 December 2021

## Board of Trustees



**Mr. C. Evans Chibiliti**
NAPSA Board Chairman
Retired 21st October 2021



**Mr. Mukuli Chikuba**
Vice Chairperson
Retired 21st October 2021



**Mr. Chanda Kaziya**
Member
Retired 21st October 2021



**Mrs. Agness Chakonta**
Member
Retired 21st October 2021



**Mr. Laurian Haangala**
Member
Retired 21st October 2021



**Mr. Victor Muyumba**
Member
Retired 21st October 2021



**Mrs. Genevieve Funsani Daka**
Member
Retired 21st October 2021



**Ms. Catherine Chinunda**
Member
Retired 21st October 2021



**Ms. Catherine Mwenya Chola**
Member
Retired 21st October 2021



**Ms. Prudence Malilwe**
Member
Retired 21st October 2021

## Senior Management



**Mr. Yollard Kachinda**
Director General



**Mr. Utembele Simwinga**
Director Finance



**Mrs. Lydia Chilumba**
Authority Secretary



**Mr. Mason Mwiinga**
Director Contributions & Benefits



**Mr. Owen Chimpinde**
Director Internal Audit



**Mrs. Betty Meleki**
Director Human Resources
& Administration
Retired 9th December 2021



**Dr. Greg Chola Nsofu**
Director Information Technology
Retired 10th November 2021



**Mr. Ronnie Kamanya**
Director Strategy
& Business Performance



**Mr. Mwewa Kyamulanda**
Director Investments



**Mrs. Mainza S. Banda**
Acting Director Projects

## NATIONAL PENSION SCHEME AUTHORITY

## BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

### BOARD OF TRUSTEES

| | | |
|---|---|---|
| Mr. C. Evans Chibiliti<br>(Independent) | - | Chairman<br>Retired 21 October 2021 |
| Mr. Mukuli Chikuba<br>(Ministry of Finance)<br>(Government representative) | - | Vice-Chairperson<br>Retired 21 October 2021 |
| Mr. Chanda Kaziya<br>(Ministry of Labour and Social Security)<br>(Government representative) | - | Member<br>Retired 21 October 2021 |
| Mr. Victor Muyumba<br>(Workers' representative) | - | Member<br>Retired 21 October 2021 |
| Mrs. Agnes Chakonta<br>(Pension Managers' representative) | - | Member<br>Retired 21 October 2021 |
| Ms. Catherine Chola<br>(Bankers Association representative) | - | Member<br>Retired 21 October 2021 |
| Mrs. Genevieve F. Daka<br>(Employers' representative) | - | Member<br>Retired 21 October 2021 |
| Ms. Prudence Malilwe<br>(Bank of Zambia representative) | - | Member<br>Retired 21 October 2021 |
| Mrs. Catherine Nampasa Chinunda<br>(Workers' representative) | - | Member<br>Retired 21 October 2021 |
| Mr. Laurian Haangala<br>(Employers' representative) | - | Member<br>Retired 21 October 2021 |

## NATIONAL PENSION SCHEME AUTHORITY

## BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

### BOARD OF TRUSTEES

The following Board of Trustees was appointed by the Minister of Labour and Social Security on 14th January 2022.

| | | |
|---|---|---|
| Mrs. Myra Ngoma*<br>(Employers' representative) | - | Member |
| Mr. Kennedy Njamba<br>(Employers' representative) | - | Member |
| Mr. Nkole Chishimba<br>(Workers' representative) | - | Member |
| Mrs. Mukamasole Kasanda<br>(Ministry of Labour and Social Security)<br>(Government representative) | - | Member |
| Mr. Kamphata Botha<br>(Pension Managers' representative) | - | Member |
| Mr. Emmanuel Malukutila<br>(Bank of Zambia representative) | - | Member |
| Mr. Victor Muyumba<br>(Workers' representative) | - | Member |
| Mrs. Mizinga Melu<br>(Bankers Association representative) | - | Member |
| Mrs. Mwila K. Zulu<br>(Ministry of Finance)<br>(Government representative) | - | Member |

*Elected as Vice Board Chairperson on 9th March 2022 and is currently Acting Board Chairperson

## NATIONAL PENSION SCHEME AUTHORITY

## BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

### EXECUTIVE MANAGEMENT

| | | |
|---|---|---|
| Mr. Yollard Kachinda | - | Director General |
| Mr. Mason Mwiinga | - | Director Contributions & Benefits |
| Mrs. Lydia S. Chilumba | - | Authority Secretary |
| Mr. Mwewa Kyamulanda | - | Director Investments |
| Mr. Utembele Simwinga | - | Director Finance |
| Mrs. Mainza S. Banda | - | Acting Director Projects (Appointed 1 January 2021) |
| Dr. Greg Chola Nsofu | - | Director Information & Communication Technology (Retired 10 November 2021) |
| Mr. Mukuka Kangwa | - | Acting Director Information & Communication Technology (Appointed 11 November 2021) |
| Mrs. Betty C. Meleki | - | Director Human Resource & Administration (Retired 9 December 2021) |
| Mr. Musenge Kapindula | - | Acting Director Human Resource & Administration (Appointed 10 December 2021) |
| Mr. Ronnie Kamanya | - | Director Strategy & Business Performance |
| Mr. Owen C. Chimpinde | - | Director Internal Audit |

## NATIONAL PENSION SCHEME AUTHORITY

## BOARD OF TRUSTEES, SENIOR MANAGEMENT AND PROFESSIONAL ADVISORS

### PROFESSIONAL ADVISORS

| | |
|---|---|
| LEGAL ADVISORS: | Legal Counsel<br>National Pension Scheme Authority<br>Levy Business Park<br>P O Box 51275<br>Lusaka |
| AUDITORS: | Grant Thornton<br>5th Floor, Mukuba Pension House<br>Dedan Kimathi Road<br>P O Box 30885<br>Lusaka |
| ACTUARIES: | Government Actuary's Department<br>Finlaison House<br>15 – 17 Furnival Street<br>London EC4A 1AB |
| BANKERS: | Zambia National Commercial Bank Plc<br>Private Bag E119<br>Lusaka<br><br>Citibank Zambia Limited<br>P O Box 30037<br>Lusaka<br><br>Absa Bank Zambia Plc<br>Private Bag E308<br>Lusaka<br><br>Standard Chartered Bank Zambia Plc<br>P O Box 32238<br>Lusaka<br><br>Stanbic Bank Zambia Limited<br>P O Box 31955<br>Lusaka |

## NATIONAL PENSION SCHEME AUTHORITY

## REPORT OF THE BOARD OF TRUSTEES

The Trustees of the National Pension Scheme Authority present their report for the year ended 31 December 2021, 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 1 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.

In 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").

The Authority's head office is:

Levy Business Park
P O Box 51275
Lusaka

#### 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 2021 have been listed on page 1.

The Act requires the Authority to prudentially manage The Scheme 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 assumes 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 20.

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 2021, the Trustees met at least once in each quarter.

### 2 Strategic Objectives achieved during the year 2021

The resurgence of Covid-19 in 2021 continued to pose challenges to the performance of the Scheme. Notably, the pandemic affected adversely the Scheme members, employers, and other stakeholders in various ways. The Debt positions of several employers were largely unfavourable, and this had a negative impact on contribution collections. However, the Authority showed resilience in its operation and managed to deliver on its strategic objectives as spelt out in the Authority 2018-2021 Strategic Plan whose cycle ended on 31st December 2021. Therefore, the Authority undertook to position itself for the next five (5) year period from 2022 to 2026 to continue delivering on its mandate and strategic direction.

Despite the effects of the Covid-19 pandemic and the challenging business environment, the Authority ensured that the following key objectives, among others, were achieved.

i) The Authority's investments portfolio recorded a gross annual weighted return of 17% against the annual benchmark return on investments of 16%, amidst the significant reduction in the government

## 2 Strategic Objectives achieved during the year 2021 (continued)

Securities yield rates towards the end of the year. Furthermore, the total portfolio size was increased from K41.5 billion to K54.1 billion by the end of 2021.

ii) The Authority took advantage of the high yields in the early part of the year by investing more in government securities and positioned itself to increase the returns for the members.

iii) The Authority successfully launched the Riverview Park in Ibex Hill, Lusaka for the sale of serviced plots and operations of the Modern Record Centre for the security of member and employer records.

iv) Increased membership by 153,153 against a yearly target of 100,500, bringing the cumulative total to 888,335 of active members.

v) Enhanced eNAPSA solution with the introduction of the eAmendments module. This feature enables members and employers to amend their records through eNAPSA to reduce the number of customers coming to the NAPSA offices.

vi) The Authority introduced online benefits claim module to allow claimants to submit their claims through internet-based solutions to mitigate against adverse effect of the Covid-19 pandemic.

vii) The Authority continued to operate within the actuarial financial soundness of the scheme for the members.

viii) The Authority continued to operate in servicing the members, employers and other stakeholders and scored 90 percent of the customer satisfaction index against a target of 80 percent. Furthermore, the Authority continued to provide a conducive working environment that fostered industrial harmony for delivering of the strategic objectives.

ix) The Authority continued to rely on business continuity plans during the peak periods of the Covid-19 pandemic by facilitating for staff remote working to ensure that the Authority Objectives were achieved.

## 3 Operational Highlights for the year 2021

### 3.1 Supporting Role of the Authority in the national economy

The Authority continued to play a catalytic role in the economy by providing funds for investment and payment of pension benefits. Through its diversified investment portfolio in various asset classes, the Authority supported the growth of the financial and capital markets by promoting depth and providing liquidity in the market. Furthermore, the Authority paid pension benefits to its members that helped to boost economic growth. The payment of pension benefits injects consumer spending power in the economy, which ultimately increases consumer demand for goods and services.

The Authority paid out One Billion Three Hundred and Fifty-Three Million Kwacha (K1,353 million) to its members in various pension benefits in 2021, as compared to K1,134 million in 2020.

### 3.1.1 Overall Authority Performance

The Authority recorded a 33% increase in the Net Assets Available for Benefits to K54.6 billion from K41 billion achieved in 2020. The positive performance was attributable to:

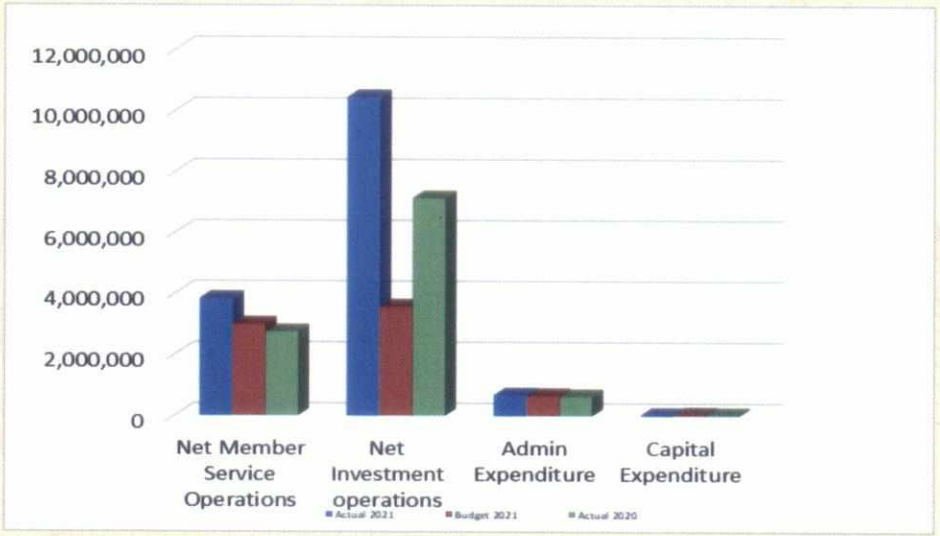
i) favourable net investment performance.

ii) favourable performance on member service operations.

iii) control on administrative expenditure, which was 5% below budget.

The overall performance is highlighted in the graph below:

**Graph 1: Overall Performance for 2021 (K'000)**




## 3.2 Member Service operations

3.2.1 The Scheme collected K5.2 billion in contributions, an annual increase of 28% from the contributions of K4.1 billion collected in 2020. The increase is largely attributed to the improving business environment as the economy continued its recovery from the adverse effects of the coronavirus disease, Covid-19 pandemic. Significantly, the economic fundamentals moved in the favourable direction in the second half of the year. Inflation was on a downward trajectory and the Zambian Kwacha appreciated sharply against the major convertible foreign currencies. Overall, inflation decelerated from 19.2% in December 2020 to 16.4% at the end of 2021, largely driven by the sharp appreciation of the Kwacha by 21% to K16.67 to a US dollar.

Despite the positive economic outlook, the domestic economy faced many challenges. The country's debt position presented a huge obstacle to growth prospects. To address the debt situation, the Government accelerated discussions with the International Monetary Fund (IMF) for a bailout package, which culminated in a staff level agreement on an extended credit facility arrangement. The IMF programme is needed to support the Government's ambitious reform programme that seeks to restore fiscal and debt sustainability, create fiscal space for social spending, and strengthen economic governance and transparency. The efforts to improve economic activity were halted by the resurgence

## 3 Operational Highlights for the year 2021 (continued)

### 3.2 Member Service operations (continued)

3.2.1 (continued)

of Covid-19 which compelled Government to implement a partial lockdown of the economy. As a result, economic activity reduced in many sectors of the economy. However, the economy showed resilience in this period, posting growth in the larger part of 2021. The economic challenges did not inhibit the Authority's ability to attain its target of member contributions. Generally, there was noticeable improvement in compliance levels among contributing employers. Therefore, the Authority exceeded its target of K4.3 billion in member contributions by 21% in 2021.

The contribution rate remained at 10% of the employee's gross wages up to the monthly ceiling of K2,318 shared equally at 5% between the employer and the employee.

### 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 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Number of active employers | **28,829** | 25,887 | 25,105 | 22,199 | **21,068** |
| Number of active members | **888,335** | 818,661 | 858,724 | 810,408 | **768,591** |
| Average collection per month (K' million) | **428.51** | 335 | 353 | 299 | **270** |

**Table 2:**

| Benefits trend | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Funeral grant per claim (K) | 11,594 | 11,496 | 10,738 | 9,950 | 8,946 |
| Minimum pension per member (K) | 1,159 | 1,149 | 1,073 | 995 | 894 |
| Highest pension per member (K) | 6,631 | 6,486 | 5,779 | 5,050 | 3,994 |
| Average monthly pension per member (K) | 1,813 | 1,744 | 1,578 | 1,419 | 1,264 |
| Highest lump sum per claim (K) | 495,206 | 447,053 | 390.017 | 346,380 | 312,460 |
| Number of pensioners | 20,299 | 18,650 | 16,918 | 15,471 | 14,654 |
| ZNPF payments (K' million) | 394 | 459 | 414 | 312 | 198 |

Table 1 and 2 above illustrate the steady increase in the Scheme membership and pensioners, respectively. The number of pensioners is growing at an average rate of 1,560 pensioners per annum.

During the year, 2,628 additional pensioners were included on the pension payroll while 979 were excluded mainly due to their omission to renew the life certificates and terminations due to death. The changes in the number of pensioners and the highest lump sum payment are summarised below:

i. The number of new entrants in 2021 was 2,628.

ii. 503 pensioners were dropped from pension payroll due to:

## 3 Operational Highlights for the year 2021 (continued)

### 3.3 Membership, Contributions and Benefits Trend (continued)

3.3.1 (continued)

a) Deaths: 433 pensioners died during the year;

b) 70 children attained the age of 25;

iii. Non-renewal of life certificates: 979 pensioners did not renew their life certificates;

iv. Highest paid lump sum was K495,206.

### 3.4 Investments

3.4.1 The Scheme recorded overall net positive performance of K10.6 billion on investment operations, compared to K7.1 billion recorded in 2020. The bulk of income was from Treasury operations, mainly net interest income which was K7.2 billion in 2021, a positive variance of K6.1 billion (19%) in comparison to 2020. The Scheme's favourable performance from its investments was mainly due to several 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%;

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

iv. Increased interest income from fixed term deposits, owing to favourable market conditions;

v. Net capital gains on listed securities amounting to K698 million;

vi. Net revaluation gains on Government securities amounting to K4.1 billion compared to the net revaluation loss of K193 million recorded in 2020.

vii. Net exchange losses of K1.1 billion arising from translation of monetary assets and liabilities quoted in foreign currencies;

viii. Provision for loss arising from the expected credit losses on the financial assets amounting to K533 million. This includes K478 million relating to the infrastructure loan to National Road Fund Agency (NRFA).

3.4.2 The Authority complied with the approved limits in the Investment guidelines under SI 19 of 2017. The Investment portfolio held at the end of 2021 is shown in Table 3 below.

## 3 Operational Highlights for the year 2021 (continued)

### 3.4 Investments (continued)

**Table 3: Investment Portfolio**

| Net Investments | 2021 Net Investments | 2021 % of total portfolio | 2020 Net Investments | 2020 % of total portfolio |
|---|---|---|---|---|
| | K' 000 | | K'000 | |
| Government securities | 24,655,285 | 46% | 18,247,970 | 45% |
| Fixed Term Deposits | 9,886,845 | 19% | 6,384,372 | 16% |
| Medium Term Notes | 478,123 | 1% | 379,050 | 1% |
| Shares in listed and unlisted corporations | 4,055,429 | 8% | 3,078,864 | 8% |
| Infrastructure Debt Securities | 7,433,920 | 14% | 6,560,075 | 16% |
| Housing inventory | 66,249 | - | 138,754 | - |
| Investment properties | 6,228,560 | 12% | 5,530,398 | 14% |
| Total | 52,804,411 | 100% | 40,319,483 | 100% |

3.4.3 Table 4 below highlights the Authority's major projects at various stages of completion and the expenditure thereon by 31 December 2021. The projects are displayed by category.

**Table 4: Major projects in progress**

| Projects in progress | Type | 2021 K'000 | 2020 K'000 | Percentage Completion (%) |
|---|---|---|---|---|
| ECL Business Park | Hotel, shopping mall, convention centre and offices | 1,309,049 | 1,309,049 | 100% |
| Chinsali Housing Project | Housing Units | 17,452 | 6,160 | 70% |
| Solwezi Housing Project | Housing Units | 3,510 | 1,851 | 6% |
| Chitambo Housing Project | Housing Units | 2,273 | 101 | 27% |
| New Mbala Offices | Offices | 1,674 | 449 | 93% |
| River View Park | Housing units, retail and offices | 322,262 | 262,502 | 55% |
| Mosi-Oa-Tunya Livingstone Resort | Hotel | 1,189,276 | 387,818 | 90% |
| Mufulira Mixed Use Development | Offices and shopping mall | 14,448 | 11,677 | 18% |
| **Total** | | 2,859,944 | 1,979,607 | |

### 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 required intervention by the Pension Scheme as per mandate to meet the Fund obligations such as benefit payments to members who contributed to the Zambia National Provident Fund (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 1 January 2017.

## 4.0 Staff Matters

4.1 The approved staff establishment as at 31 December 2021 was as shown in Table 5 below.

**Table 5 Staff establishment**

| | 2021 | 2020 |
|---|---|---|
| **Approved Staff Establishment** | **700** | 700 |
| Director General and Directors (Fixed Term Contracts) | **10** | 10 |
| Permanent and pensionable | **675** | 675 |
| Short Term Contract | **15** | 15 |
| **Total** | **700** | 700 |
| | | |
| **Actual Numbers** | | |
| Director General and Directors (Fixed Term Contracts) | **7** | 10 |
| Permanent and pensionable | **654** | 641 |
| Short Term Contract | **11** | 6 |
| **Total** | **672** | 657 |

4.2 The Authority prides itself in having a team of employees that support its strategic intent by way of their diverse skills and competencies. In maintaining a motivated and performance driven workforce, the Authority undertakes several measures and activities which include the following:

### 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, Enhanced Pension Actuarial Principles, Prosecutions, Data Analysis, Labour Laws and Industrial Relations, Financial Modelling, Social Security, Coaching and Mentoring, Business Continuity, Leadership, Customer Service, Electronic Records Management and Chinese Language, etc.

### 4.2.2 Health care and wellness programmes

The Authority promoted several health and wellness initiatives such as sensitisations on various health matters including COVID-19, purchasing of masks and hand sanitisers for all members of staff, arranging for voluntary vaccination against COVID-19 for members of staff as well as medical insurance cover for all staff. These initiatives were aimed at promoting a healthy and physically fit workforce. A healthy workforce promotes 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 employees (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 Authority continued to embed the iCARE (Integrity, Collaboration, Accountability, Respect and Excellence) Values as a drive to becoming a values-based institution. The Authority continued to engage unionised members of staff through Union/Management meetings. Further virtual Colleague Engagement Forums were held at which the Director General addressed all members of staff on pertinent issues.

#### 4.2.4 Performance Management

As the Authority positions itself as a performance-based institution, it endeavours to achieve its set performance targets. During the period under review, the Authority partially exceeded its performance and was rated at level 4 of the 5-point scale with 1 being the lowest and 5 being the highest score. For effective performance assessments, the Balanced Scorecard framework was used as the performance management tool. To this effect employees would be rewarded based on their performance.

## 5.0 Statement on Corporate Governance

5.1 The Authority subscribes to tenets of good corporate governance. NAPSA's mandate, structure and operations are primarily premised on the National Pension Scheme Act, Number 40 of 1996 and its subsequent amendments thereof, the Investment Guidelines (Statutory Instrument) No.19 of 2017 and other applicable laws. NAPSA has in place various policies, structures and procedures to ensure that the decision-making process, governance and administration of the institution are in accordance with applicable laws and good corporate governance practices. As a Social Security Institution, NAPSA further subscribes to International Social Security Association (ISSA) principles and practical guidelines on Good Governance. The ISSA Good Governance Guidelines provide standards for social security institutions to ensure that the exercise of vested authority is accountable, transparent, predictable, participative and dynamic.

5.2 The Authority is governed by a Board of Trustees, comprising ten (10) members, who are appointed by the Minister of Labour and Social Security. The Board of Trustees is tripartite in nature as the majority of trustees are drawn from the Government, Employers and Employees' Associations. Other trustees are drawn from the industry and professional bodies prescribed by law. The tenure of office of the previous Board of Trustees that was appointed in 2017 came to an end in May 2020. The Board of Trustees was appointed by the Minister of Labour and Social Security on 1 August 2020. The Board was gender balanced, comprising five (5) women and five (5) men. The Board provides oversight over the operations of the Authority in line with its statutory mandate and the Board Charter which is reviewed regularly. The Minister also appoints the Director General who is responsible for the day-to-day management of the Scheme. The Office of the Authority Secretary acts as a central point of advice to the Trustees on governance issues and processes relating to the Authority's operations. All Trustees and Committee Members have access to the Authority Secretary.

5.3 The Board meets regularly to review the performance of the Institution and provide guidance to Management. Every year, the Board approves a Schedule of Board Meetings to assist members plan for attendance. However, ad hoc meetings are arranged to cater for urgent and time bound business.

5.4 During the year under review a total of twenty-two (22) meetings were held until the dissolution of the Board in October 2021. Out of the twenty-two (22) meetings held, fifteen (15) were scheduled and the remainder of seven (7) were ad hoc (special) meetings.

5.5 For the year 2021, the Board of Trustees held seven (7) Board Meetings until its dissolution by the Minister of Labour and Social Security in October 2021. The Board's key focus areas are summarised as follows:

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

5.5 The proceedings of the meetings were duly recorded, and minutes were signed after confirmation by the Trustees.

## 6.0 Board Committees

The Board has powers to delegate its authority to committees and management to assist it discharge its mandate. There are currently four (4) standing Board Committees, namely, the Audit, Risk and Compliance Committee, Finance and Investments Committee, Technical Committee and the Staff Affairs Committee. The Board has powers to appoint to the Committees external subject matter experts to ensure the right balance of skills and knowledge is brought to bear into its decision-making processes for the benefit of the institution. The Committees are chaired by a Trustee meeting requisite skill and experience in line with the mandate of the Committee.

### 6.1 Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee, as recognised in Section 19 of the Public Finance Management Act of 2018, oversees financial reporting, risk management and compliance for the Authority.

6.1.1 The Committee was comprised of the following Members:

i. Ms. Prudence Malilwe (Chairperson)
ii. Mr. Laurian Haangala
iii. Mrs. Mwila K. Zulu
iv. Mr. Victor Muyumba
v. Ms. Linire Mulima*
vi. Mr. Mwendamo Mazaba*
vii. Mr. Hillard Kabole*

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

### 6.2 Finance and Investments Committee

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

6.2.1 The Committee was comprised of the following Members:

i. Mr. Mukuli Chikuba (Chairperson)
ii. Mr. Chanda Kaziya
iii. Mr. Victor Muyumba
v. Ms. Catherine Chola

6.2.2 The Committee met four (4) times in 2021 to review the Authority's financial performance, consider investment proposals, make investment decisions and propose appropriate recommendations to the Authority.

### 6.3 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.

## 6.0 Board Committees (continued)

### 6.3 Technical Committee (continued)

6.3.1 The Committee was comprised of the following Members:

i. Mrs. Agnes Nyondo Chakonta (Chairperson)
ii. Mr. Laurian Haangala
iii. Mrs. Catherine Nampasa Chinunda
iv. Mr. Anthony Dumingu*
v. Mr. Alick Siankumo*

6.3.2 The Committee met two (2) times in 2021 to consider matters relating to member service operations and make appropriate recommendations to the Authority.

### 6.4 Staff Affairs Committee

The Committee's key function is to oversee staff wellbeing and performance in order to ensure optimal overall organisation performance.

6.4.1 The Staff Affairs Committee was comprised of the following Members:

i. Mrs. Genevieve Funsani Daka (Chairperson)
ii. Mr. Chanda Kaziya
iii. Ms. Prudence Malilwe
iv. Mrs. Catherine Nampasa Chinunda
iv. Mr. Jumali Nkhoma*

6.4.2 The Committee met four (4) times in 2021 to consider matters pertaining to staff and make appropriate recommendations to the Authority.

* Denotes independent Committee Member who is not a Member of the Authority

## 6.0 Committees (continued)

### 6.5 Attendance of meetings

The attendance of meetings by Board Trustees and Committee Members is shown in the Table below:

| | Board Meetings | | Committee Meetings | |
|---|---|---|---|---|
| | Scheduled Meetings | Meetings Attended | Scheduled Meetings | Meetings Attended |
| **Board Chairperson** | | | | |
| Mr. C. Evans Chibiliti | 7 | 7 | * | * |
| **Finance and Investment Committee** | | | | |
| Mr. Mukuli Chikuba | 7 | 7 | 4 | 4 |
| Mr. Chanda Kaziya | 7 | 7 | 4 | 4 |
| Ms. Catherine Chola | 7 | 7 | 4 | 4 |
| Mr. Victor Muyumba | 7 | 7 | 4 | 4 |
| **Audit, Risk & Compliance Committee** | | | | |
| Mrs. Prudence Malilwe | 7 | 7 | 5 | 5 |
| Mr. Laurian Haangala | 7 | 7 | 5 | 5 |
| Mr. Victor Muyumba | 7 | 7 | 5 | 5 |
| Mrs. Mwila Zulu* | * | * | 5 | 5 |
| Mr. Mwendamo Mazaba* | * | * | 5 | 5 |
| Ms. Linire Mulima* | * | * | 5 | 5 |
| Mr. Hilard Kabole | * | * | 5 | 5 |
| **Staff Affairs Committee** | | | | |
| Mrs. Genevieve Daka | 7 | 7 | 4 | 4 |
| Mr. Chanda Kaziya | 7 | 7 | 4 | 4 |
| Mrs. Prudence Malilwe | 7 | 7 | 4 | 4 |
| Mrs. Catherine Nampasa Chinunda | 7 | 4 | 4 | 4 |
| Mr. Victor Muyumba | 7 | 7 | 4 | 4 |
| Mr. Jumali Nkhoma* | * | * | 4 | 4 |
| **Technical Committee** | | | | |
| Mrs. Agnes Nyondo Chakonta | 7 | 6 | 2 | 2 |
| Mr. Laurian Haangala | 7 | 7 | 2 | 2 |
| Mrs. Catherine Nampasa Chinunda | 7 | 4 | 2 | 2 |
| Mr. Anthony Dumingu* | * | * | 2 | 2 |
| Mr. Alick Siankumo* | * | * | 2 | 2 |
| Mr. Kampamba Kombe* | * | * | 2 | 1 |

**NOTES**

* Not applicable

19 out of the 22 Board and Committee Meetings in 2021 were held virtually due to the advent of Covid-19 pandemic

## 7.0 Board Induction and Continued Development

7.1 The Authority has in place a comprehensive induction process for new Trustees and Committee members as and when they join the Board. The induction process takes the form of presentations from executives and functional heads. The Authority also endeavours to expose Trustees to specific tailored trainings in pension administration and fund management during the tenure of their office in order to better equip them to discharge their functions.

7.2 Further, the Authority recognises the importance of Trustees' continued understanding of the changing regulatory environment in the pension industry and their role as fiduciaries. Arrangements for training, exposure to new developments and benchmarking with peer institutions are regularly made for Trustees' continued learning and development. These training and development activities usually focus on areas such as strategy, corporate governance, risk management and investments.

## 8.0 Board Performance Evaluation

8.1 The Authority also conducts performance evaluations of the Board, and its Committees in order to enhance Board effectiveness.

8.2 For the year 2021, the Board performance evaluation which was scheduled to be undertaken in the 4th quarter was not conducted as there was no Board in place at the time.

## 9.0 Board Remuneration

9.1 Board Trustees and Committee Members are remunerated for services rendered to the Authority through sitting allowances and quarterly retainer fees. The Board is empowered by law to set its remuneration, which is subject to approval by the Minister. Before Trustees' remuneration is reviewed upward, surveys are conducted with peer institutions within the Public Sector for comparison. If deemed appropriate, the Staff Affairs Committee makes recommendations for review of Board remuneration.

9.2 The Authority has put in place a Board Remuneration Policy which sets out key considerations for determining Trustees' remuneration. The Trustees' remuneration was last reviewed in 2017 when the Board was constituted.

9.3 Details of the total remuneration and board expenditure is provided in note 30 "Related Party Transactions" of the audited financial statements.

## 10.0 Senior Management

10.1 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.

10.2 Senior Management is comprised of the Director General, supported by nine (9) Directors who each heads a Directorate.

10.3 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 to discharge their responsibilities.

10.4 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.

## 11.0 NAPSA's Strategic Direction, Vision, Mission and Culture

11.1 As part of its vision and commitment to being a high performing public institution, the Authority adopted a Strategic Plan in 2018 which came to an end on 31st December 2021. The Strategic Plan built on the successes scored by the Authority's previous strategic plans and was also aligned to the Seventh National Development Plan (7NDP), with a focus on multi-sectoral integrated approach. It was developed in a highly consultative bottom-up approach with an extensive external and internal environmental scan, so that the Authority remained suitably responsive to the needs of its stakeholders, particularly its members. To sustain the Scheme growth, the Authority has formulated a new five year Strategic Plan covering the period from 2022 to 2026.

11.2 The Strategic Plan is tied to the Authority's vision of being "**A trusted partner that protects people's future and brings pride to the Nation"**.

The Authority's mission statement and core values guide its operations as set out below:

Mission Statement: ***"Securing the social and economic well-being of the people of Zambia"***

The Authority's Core Values which are modeled on the **iCARE** principle are:

**Integrity** – "Do the Right Thing"

**Collaboration** – "Work Together"

**Accountability** – "Be Responsible for Your Actions"

**Respect** – "Listen to Every Voice"

**Excellence** – "Perform at Your Best"

All Trustees and employees of the Authority are expected to exhibit behaviors that are consistent with the Authority's core values.

### 11.3 Upholding an Ethical Culture

11.3.1 In line with the National Anti-Corruption Policy, the Authority is one of the Public Institutions that has in place an Integrity Committee (IC). The IC supports the Authority's resolve to uphold the highest standards of ethics in its operations and its main role is to institutionalize the fight against corruption by spearheading corruption prevention activities and entrenching ethical behaviour in the Authority.

11.3.2 During the period under review, the IC assisted the Authority to plan and implement integrity activities under the 2021 Anti-corruption Preventative Action Plan (ACPAP). The bulk of the activities were aimed at increasing the public's awareness on the role of the IC in the Authority and how the public can report any corruption or maladministration by or involving Authority staff.

11.3.3 The Authority has a Code of Conduct that guides employees and Trustees regarding the standard of behaviour expected to be complied with, including the adherence to the core values, compliance with applicable laws and regulations, conflict of interest, confidentiality, protection of Authority assets from abuse. The code further guides employees on steps to

11.0 **NAPSA's Strategic Direction, Vision, Mission and Culture (continued)**

11.3 **Upholding an Ethical Culture (continued)**

11.3.3 (continued)

be taken to foster an environment that would encourage ethical behaviour by those doing business with the Authority and other stakeholders such as suppliers, contractors and agents as well as other stakeholders.

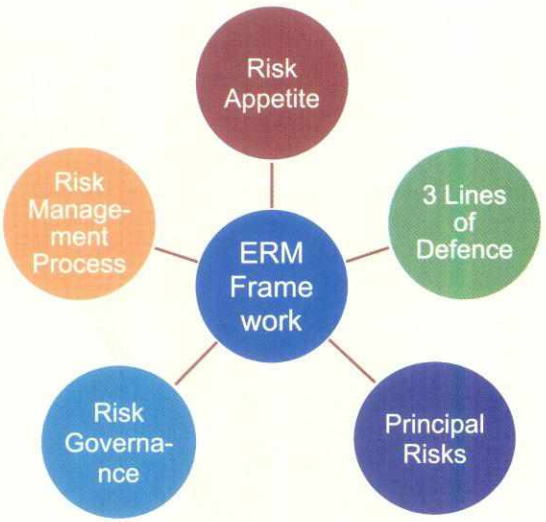
The Authority has further put in place critical policies such as the Integrity Policy, Conflict of Interest Policy, Gifts and Benefits Policy to assist the IC embed the culture of integrity in the institution. The Authority also has in place a 24-hour Toll-free line **(5080)** called **'Tip Off Anonymous'** through which members of the public can report suspected or actual malpractices within the institution. The toll-free line is managed by an Independent Service Provider.

11.3.4 As part of its commitment to safeguarding transparency and managing conflicts and ensuring timely disclosure of interests, the Authority requires all Trustees and staff to declare annually or as and when conflicts arise.

12.0 **Risk Management**

12.1 The business environment during the year under review was characterized by volatility, uncertainty, complexity and ambiguity (VUCA) of general conditions and situations. Covid 19 pandemic was and still is one of those VUCA conditions under which the Authority conducted its business. Despite these challenges, the Authority was still able to carry out its mandate with minimum disruption due to the mitigants that it has put in place such as the Business Continuity Management function. The approach to managing risks to counter VUCA conditions is outlined in the Authority's Risk Policy which also contains the Enterprise Risk Management Framework (ERMF). Key components of ERMF are illustrated in the figure below.

Figure 12.1.1 Enterprise Risk Management Framework



## 12.0 Risk Management (continued)

12.2 Critical to managing risk is the risk management process which is aimed at identifying, assessing, prioritizing and mitigating the significant risks that could impact on the delivery of the Authority's strategic objectives. Risks are prioritized for reporting in accordance with the scoring methodology in the risk assessment matrix adopted.

12.3 The Authority commenced the deployment of Risk Type Frameworks (RTFs) in key Authority functions that will be used to manage strategic risks inherent in the Authority's business model. The developed frameworks cover risks related to Investments, Outsourcing; Legal & Regulatory; Cyber-Security; Fraud & Corruption; Information Technology; and Reputation. Manifestation of risks are linked to these strategic risks and mitigation measures focused on potential consequences forming part of the risk action plans that are subject to constant monitoring and reporting.

12.4 All the identified risks are managed within the domain of the Authority's Risk Appetite Statement (RAS) approved by the Board of Trustees.

12.5 *Risk Governance*

12.5.1 To counter both the negative and positive effects of VUCA, the Authority continued to entrench its Enterprise Risk Management (ERM) framework across its business functions and processes. Risk governance continued to be strengthened by ensuring that all functions conducted their quarterly risk committee meetings that fed into the senior management and board risk committees.

12.5.2 To ensure that risk culture is embedded within the Authority, risk awareness sessions/activities for staff were held in all the business functions utilizing both physical and virtual platforms.

## 13.0 Corporate Social Responsibility

13.1 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 Authority 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.

13.2 Under the Authority Corporate Social Responsibility (CSR) program, the Authority made donations amounting to K527,000 in 2021. The donations included medical equipment and supplies to Lewanika General Hospital in Mongu District of Western Province and Mambova Health Post in Kazungula District of Southern Province. Additionally, assorted donations amounting to K1,180,000 were approved for Ndola School for the Blind in Ndola, Kaunga Primary School in Luangwa District, Little Servants of Mary Immaculate Sisters in Mpika and St. Marys' Secondary in Kawambwa. Other recipients include St. Theresa Parish School for children with special needs, Cheshire Homes, Home of happiness for children with disabilities and Chipembi College of Agriculture.

Signed on behalf of the Trustees on **29 April 2022** 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 Authority to submit to the Minister:

- an audited statement of financial position (statement of net assets 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 Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements that are reasonable and prudent;
- follow International Financial Reporting Standards; and
- prepare the financial statements in accordance with the applicable reporting framework, and on the going concern basis unless it is inappropriate to presume that the Authority will continue in business

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 Grant Thornton, have audited the annual financial statements and their report is shown on pages 21 to 24.

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 2021 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 **29 April 2022** by:



**TRUSTEE**



**TRUSTEE**

## 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 25 to 73, which comprise the statement of net assets available for benefits as at 31 December 2021, the statement of changes in net assets available for benefits, the statement of movements in accumulated funds 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 accompanying financial statements give a true and fair view of the financial position of National Pension Scheme Authority as at 31 December 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA" code), together with 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.

### Emphasis of matter

We draw your attention to note 5 of the financial statements. 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 draft report for the actuarial valuation carried out as at 31 December 2020 indicates an actuarial deficit of K174.7 billion. 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. Our opinion is not qualified in this respect.

**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 matters |
|---|---|
| **Measurement of Financial Assets** | |
| Due to the complex and subjective nature of judgements made in the assumptions by the Trustees over the measurement of financial assets this was considered a key audit matter. | Our procedures included but were not limited to the following: |
| • The Trustees are required to apply the forward-looking approach to recognize expected credit losses based on IFRS 9's impairment requirements. | • Assessing the design and implementation of the impairment model adopted with focus on compliance with the requirements of IFRS 9: "Financial Instruments".<br>• Reviewing management's evaluation of possible outcomes and the probability of occurrence.<br>• Checking the reasonableness of the information and ensuring the information was supported with reference to past events, current conditions as well as forecast of the future. |
| • Further, in assessing the fair value of financial assets, the Trustees use a variety of valuation methods based on the classification of assets and make assumptions that are based on market conditions and other relevant valuation data existing at each reporting date. | • Obtained the analysis prepared by management in calculating the fair value of the assets.<br>• We evaluated management's valuation assumptions and changes in assumptions to ensure they were reasonable and consistent with market information and other relevant valuation data.<br>• Performed audit procedures over the valuation and accounting of investments in financial assets, to ensure that the valuation inputs applied to various valuation techniques were reasonable. |

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

## NATIONAL PENSION SCHEME AUTHORITY

**Other information**

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 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 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 the 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.

**Chartered Accountants**

**Christopher Mulenga (AUD/F000178)**
**Name of Partner signing on behalf of the Firm**

**Lusaka**

**Date: 24 April 2022**

## NATIONAL PENSION SCHEME AUTHORITY

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 K | 2020 K |
|---|---|---|---|
| **Net assets available at beginning of the year** | | 40,959,909,132 | 31,695,790,944 |
| **Member service operations:** | | | |
| Contributions from members | | 5,200,881,575 | 4,078,526,334 |
| Pension claims and withdrawals | 6 | (453,687,969) | (424,142,955) |
| Normal retirement pensions | 7 | (479,923,380) | (410,278,233) |
| ZNPF claims | 6 | (394,184,974) | (458,863,459) |
| Funeral grants | | (25,021,112) | (20,673,118) |
| | | 3,848,064,140 | 2,764,568,569 |
| **Investment operations:** | | | |
| Investment income | 8 | 7,863,319,584 | 7,783,244,256 |
| Change in market value of investments | 23 | 4,813,376,560 | 389,003,986 |
| Loss on sale of housing inventory | | (29,000) | - |
| Impairment loss on loans and advances | 16.7 | (563,151,558) | (795,416,747) |
| Impairment loss on stocks and bonds | 14.2 | (3,600,000) | (10,800,000) |
| Impairment recovery on term deposits | 14.1 | 5,243,313 | - |
| Impairment loss on housing inventory | 17 | (3,269,954) | (1,184,470) |
| Handling fees | | (33,924,205) | (29,051,797) |
| Bad debts provision | 21 | (29,961,061) | (2,463,334) |
| Net exchange gains/(losses) | 9 | (1,068,354,041) | 334,868,648 |
| Tax expense | 10 | (528,570,851) | (516,176,483) |
| | | 10,451,078,787 | 7,152,024,059 |
| **Management expenses:** | | | |
| Employee benefit expenses | 11 | (426,618,708) | (393,686,331) |
| Administration expenses | 12 | (230,965,413) | (196,625,834) |
| Depreciation expense | 24 | (41,438,771) | (63,546,705) |
| Gain/(loss) on disposal of equipment | | 577,881 | 1,384,430 |
| | | (698,445,011) | (652,474,440) |
| **Increase in net assets** | | 13,600,697,916 | 9,264,118,188 |
| **Net assets available at end of the year** | | 54,560,607,048 | 40,959,909,132 |

## NATIONAL PENSION SCHEME AUTHORITY

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
## AS AT 31 DECEMBER 2021

| | Note | 2021 K | 2020 K |
|---|---|---|---|
| **MEMBERS' INTEREST** | | | |
| Members Funds | | 54,560,607,048 | 40,959,909,132 |
| **Represented by:** | | | |
| **ASSETS** | | | |
| **Investments** | | | |
| Government securities | 13 | 24,655,285,459 | 18,247,969,749 |
| Other securities | 14 | 10,357,452,010 | 6,763,421,561 |
| Equity investments | 15 | 4,055,428,892 | 3,078,863,724 |
| Loans and advances | 16 | 7,433,920,298 | 6,560,075,124 |
| Housing inventory | 17 | 66,249,396 | 138,753,801 |
| Investment properties | 18 | 6,228,560,023 | 5,530,397,735 |
| | | 52,796,896,078 | 40,319,481,694 |
| **Other assets** | | | |
| Bank and cash balances | 19 | 915,152,473 | 822,340,943 |
| Employee receivables | 20 | 7,534,176 | 5,398,653 |
| Other receivables | 21 | 491,409,467 | 353,342,444 |
| Consumable stores | | 3,129,992 | 3,615,617 |
| Contributions receivable | 22 | 707,212,615 | 452,145,190 |
| Property and equipment | 24 | 262,635,274 | 114,896,198 |
| | | 2,387,073,997 | 1,751,739,045 |
| **TOTAL ASSETS** | | 55,183,970,075 | 42,071,220,739 |
| **LIABILITIES** | | | |
| Income tax liabilities | 10 | (114,688,997) | (98,178,588) |
| Provisions for claims payable | 26 | (25,654,536) | (32,151,600) |
| Other payables and accrued expenses | 27 | (472,686,638) | (971,988,697) |
| Deferred liabilities | 28 | (10,332,856) | (8,992,722) |
| **TOTAL LIABILITIES** | | (623,363,027) | (1,111,311,607) |
| **NET ASSETS AVAILABLE FOR BENEFITS** | | 54,560,607,048 | 40,959,909,132 |

The responsibilities of the Trustees with regard to the preparation of the financial statements are set out on page 20. The financial statements on pages 25 to 73 were approved by the Board of Trustees on **29 April 2022** and were signed on its behalf by:

**TRUSTEE** **TRUSTEE**

## NATIONAL PENSION SCHEME AUTHORITY

## STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS FOR THE YEAR ENDED 31 DECEMBER 2021

| | Annuity Account K | Accumulated funds K | Total K |
|---|---|---|---|
| **Balance at 1 January 2020** | 26,601 | 31,695,764,343 | 31,695,790,944 |
| Surplus of income over expenditure for the year | - | 9,264,118,188 | 9,264,118,188 |
| **Balance at 31 December 2020** | 26,601 | 40,959,882,531 | 40,959,909,132 |
| Surplus of income over expenditure for the year | - | 13,600,697,916 | 13,600,697,916 |
| **Balance at 31 December 2021** | 26,601 | 54,560,580,447 | 54,560,607,048 |

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 K | 2020 K |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Increase in net assets** | | 13,600,697,916 | 9,264,118,188 |
| Adjusted for: | | | |
| Depreciation expense | 24 | 41,438,771 | 63,546,705 |
| Income tax expense | 10 | 528,570,851 | 516,176,483 |
| Dividend income | | (92,288,868) | (52,434,422) |
| Investment income | | (7,771,030,716) | (7,730,809,835) |
| Change in fair value of investment property | 18 | 1,739,979 | (368,979,221) |
| Loss on sale of housing inventory | | 29,000 | - |
| Impairment loss on loans and advances | | 563,151,558 | 795,416,747 |
| Impairment loss on stocks and bonds | | 3,600,000 | 10,800,000 |
| Impairment recovery on term deposits | | (5,243,313) | - |
| Impairment loss on housing inventory | | 3,269,954 | 1,184,470 |
| Change in fair value of Government Securities | 13 | (4,116,638,227) | 193,060,388 |
| Change in fair value of listed securities | 15 | (698,478,312) | (213,085,154) |
| Gain on disposal of property and equipment | | (577,881) | (1,384,430) |
| | | 2,058,240,711 | 2,477,609,919 |
| **Movement in working capital:** | | | |
| Increase in Government securities | | (2,290,677,483) | (2,782,943,368) |
| Increase in other securities | | (3,592,387,136) | (218,004,746) |
| Increase in equity securities | | (278,086,856) | (1,744,678,931) |
| Increase in loans and advances | | (1,436,996,732) | (3,651,265,533) |
| (Increase)/decrease in employee receivables | | (2,135,523) | (2,136,645) |
| Decrease/(increase) in contribution receivables | | (255,067,425) | 212,466,878 |
| Increase/(decrease) in deferred liabilities | | 1,340,134 | 4,502,571 |
| Increase in other receivables | | (138,067,022) | (203,536,727) |
| Decrease in inventories | | 69,691,075 | 15,814,962 |
| Increase/(decrease) in other payables and accruals | | (505,799,123) | 725,713,421 |
| **Cash used in operations** | | (8,428,186,092) | (7,644,068,118) |
| Income tax paid | 10 | (512,060,441) | (519,239,886) |
| **Net cash utilised in operations** | | (6,882,005,822) | (5,685,698,085) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments to acquire property and equipment | 24 | (21,323,339) | (49,859,870) |
| Proceeds on disposal of property and equipment | | 2,758,164 | 2,649,275 |
| Proceeds on disposal of investment properties | | 23,028,600 | - |
| Purchase of investment properties | 18 | (892,965,657) | (2,097,488,104) |
| Dividends received | | 92,288,868 | 52,434,422 |
| Investment income | | 7,771,030,716 | 7,730,809,835 |
| **Net cash generated from investing activities** | | 6,974,817,352 | 5,638,545,558 |
| **Net cash inflows/(outflows) for the year** | | 92,811,530 | (47,152,527) |
| **Cash and cash equivalents at beginning of the year** | | 822,340,943 | 869,493,470 |
| **Cash and cash equivalents at end of the year** | | 915,152,473 | 822,340,943 |
| **Comprising:** | | | |
| Bank and cash balances | | 915,152,473 | 822,340,943 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 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 are 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 5.

### 2 NEW OR REVISED STANDARDS OR INTERPRETATIONS

#### 2.1 New standards and amendments that are effective at 1 January 2021 and are applicable to the Authority

Some accounting pronouncements which have become effective from 1 January 2021 and have therefore, been adopted do not have a significant impact on the Authority's financial results or position.

#### 2.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Authority

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Authority.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

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

### 3.2 Basis of preparation

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, leasing transactions that are within the scope of IFRS 16, 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 Authority has consistently applied the following accounting policies to all periods presented in these financial statements.

### 3.3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Authority's functional currency. All amounts have been rounded to the nearest Kwacha except as otherwise indicated.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Functional and presentation currency (continued)

*a) Foreign currencies*

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).

**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.

Transactions in foreign currencies are translated into Kwacha at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognised in statement of changes in net assets available for benefits.

**Finance income and finance cost**

The Authority's finance income and finance costs include:

- Interest income; and
- Interest expense.

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Authority estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Functional and presentation currency (continued)

**Finance income and finance cost (continued)**

*b)* The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.
- Interest income and expense on all trading assets and liabilities are considered to be incidental to the Authority's trading operations and are presented together with all other changes in the fair value of equity investments held for trading.
- Foreign currency exchange gain or loss.

### 3.4 Contribution income

The National Pension Scheme requires eligible employers to remit contributions for each month by the 10th of the following month. Accordingly, contributions receivables are accounted for as received by the Authority from 11th of January 2021 to the 12th of January 2022 (due date was extended by two days from the 10th of January 2022). At the reporting date, the Authority accrued, as receivable, contributions received from 1 January 2022 to 12 January 2022. The Authority does not recognise contributions receivable from defaulting employers as the amount is not reliably determinable.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Dividend income

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

### 3.6 Interest revenue

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

### 3.7 Housing revenue

Revenue from the sale of inventory items largely comprises sale of housing units. Housing revenue is recognised as control of a housing unit is passed at the point of handing over a unit to a customer. Factors that indicate that control of a unit passes from the Authority to a buyer include, but not limited to; (a) the Authority has transferred physical possession of the unit (b) the customer has the significant risks and rewards related to ownership of the unit (c) the customer has accepted the unit in its current condition. The Authority satisfies its performance obligation when a customer has fully paid for a unit.

### 3.8 Inventories

The Authority's inventory comprises largely housing units constructed for sale, serviced plots, as well as consumable stores. Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The Authority uses two bases of determining the costs of inventories due to their differing characteristics. Costs of consumables are determined on a first-in-first out basis. The weighted average method is applied in arriving at the cost of housing inventory. In applying the weighted average method, the Authority considers the total cost of the project as incurred and the estimated cost of completing each unit type. A determined fraction is then used in arriving at a cost of each unit type.

### 3.9 Provisions

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Property and equipment

All property and equipment are stated at cost (or revalued amount in the case of administrative buildings) less accumulated depreciation and accumulated impairment losses. The Authority applies a revaluation model in IAS 16 to measure all its administrative buildings, after initial recognition. Administrative buildings are revalued at intervals of not more than three years.

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 | 4-5 years |
| Buildings | 50 years |
| Right of use assets | 3 years |

Capital work in progress is not depreciated.

Management has estimated the residual values of the property and equipment at 31 December 2021 to be negligible and for purpose of the financial statements have been assigned a nil value.

### 3.11 Investment properties

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

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

### 3.12 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 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Impairment of tangible assets (continued)

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

### 3.13 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 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 five years.

### 3.14 Leasing

i) **Leased assets**

**The Authority as a lessee**

The Authority considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Authority assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority.
- the Authority has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Authority has the right to direct the use of the identified asset throughout the period of use.

The Authority assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Leasing (continued)

**Measurement and recognition of leases as a lessee**

At lease commencement date, the Authority recognises a right-of-use asset and a lease liability on the statement of net assets available for benefits. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Authority, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Authority depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Authority also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Authority measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Authority's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Authority has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of net assets available for benefits, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in other liabilities.

**The Authority as a lessor**

As a lessor the Authority classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

### ii) Leasehold improvements and equipment

***Recognition and measurement***

Items of leasehold improvements and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of leasehold improvements and equipment have different useful lives, then they are accounted for as separate items (major components) of leasehold improvements and equipment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Leasing (continued)

#### ii) Leasehold improvements and equipment (continued)

***Recognition and measurement (continued)***

Any gain or loss on disposal of an item of leasehold improvements and equipment is recognised in profit or loss.

***Subsequent expenditure***

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Authority. Ongoing repairs and maintenance are expensed.

### 3.15 Financial instruments

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the instrument. At initial recognition, the Authority measures all its financial instruments at fair value plus or minus, in case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability.

The Authority's objective is to hold its financial assets after acquisition within a business model by collecting contractual cashflows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes). The contractual terms of the Authority's most financial assets give rise on specified dates to cashflows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

#### 3.15.1 Financial assets and liabilities

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 available for benefits.

#### 3.15.2 Financial assets measured at amortised cost

The Authority classifies a financial asset as subsequently measured at amortised cost when (a) an asset is held within a business model whose objective is to hold the asset in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding on a specified date. The Authority's financial assets classified as measured at amortised cost include those securities (infrastructure bond and medium-term notes) whose rates are linked to specified benchmark interest rates. The following other securities are also classified and accounted for at amortised cost (i) placements with counterparties (ii) rental debtors (iii) loan receivables (iv) sundry receivables.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Financial instruments (continued)

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

The Authority designates, at initial recognition, some financial assets at fair value through profit or loss. These financial assets mainly comprise Government bonds and Treasury bills. Subsequent to initial recognition, the Authority measures the financial assets at fair value by discounting the expected future cash flows at the effective yield rates prevailing in the market at the measurement date, with changes in fair value recognised in the statement of changes in net assets available for benefits.

#### 3.15.4 Financial assets at fair value through other comprehensive income (FVTOCI)

The equity investments that are neither held for trading nor contingent consideration recognised by the acquirer in a business combination. At initial recognition, the instruments are classified as at FVTOCI, with the subsequent changes in fair value recognised in other comprehensive income (OCI). The Authority has not elected to classify its equity investments as at FVTOCI.

The Authority classifies all its equity investments as measured at fair value in the statement of net assets available for benefits, with changes in fair value recognised in profit or loss.

Listed redeemable notes held by the Authority that are traded in an active market are classified as measured at FVTPL 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 at FVTPL and stated at fair value at the end of each reporting period (unless the Trustees consider that fair value cannot be reliably measured). Changes in the carrying amount of monetary financial assets relating to changes in interest income calculated using the effective interest method and dividends on equity investments are recognised in profit or loss. Other changes in the carrying amount of financial assets classified as at FVTOCI 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 investment's revaluation reserve is reclassified to profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Financial instruments (continued)

#### 3.15.5 Financial assets

**Impairment of financial assets**

The Authority assesses its financial assets for impairment on the basis of a 'three-stage' model (general model) from initial recognition. The three-stage model for impairment is based on changes in credit quality since initial recognition of the financial assets. These three-stages determine the amount of impairment recognised as expected credit losses (ECL) at each reporting date as well as the amount of interest income recorded in future periods.

The Authority's financial assets, classified as measured at amortised cost or FVTOCI, could be at any of the following stages:

**Stage 1** Financial instruments that have not had a significant increase in credit risk since initial recognition or that (at the option of the Authority) have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

**Stage 2** Financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date and this option is taken by the Authority) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the entity is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

**Stage 3** Financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

In estimating ECLs, the Authority considers a range of possible outcomes. At a minimum, the Authority considers that (a) a credit loss occurs; and (b) no credit loss occurs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Financial instruments (continued)

#### 3.15.6 Derecognition of financial assets

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

#### 3.15.7 Financial liabilities and equity instruments

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

##### 3.14.7.1 Derecognition of financial liabilities

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

#### 3.15.8 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, judgement is necessarily required to interpret market data to estimate fair values. Accordingly, the estimates are not necessarily indicative of the amounts the Authority could realise in a current market exchange. The carrying amounts of the financial assets and liabilities approximate their fair values.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### 4.1 Critical judgements in applying accounting policies

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

#### 4.1.1 Impairment losses on loans receivable

In determining whether an impairment loss should be recorded in the statement of changes in net assets available for benefits, the Trustees make judgements 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. The Trustees assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 16 for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

#### 4.1.2 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 Trustees uses its judgement and makes assumptions that are mainly based on market conditions existing at the reporting date. For housing inventory, the lower of cost and net realisable value was used.

#### 4.1.3 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 Trustees uses its judgement and makes assumptions that are mainly based on market conditions existing at the reporting date.

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

### 4.2 Key sources of estimation uncertainty

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

#### 4.2.1 Recoverability of rental debtors

During the year, management reconsidered the recoverability of rental debtors arising from investments properties which is included in its statement of net assets available for benefits. At end of each annual reporting period, the Authority makes an estimate of the recoverability of the rental debtors and an allowance for doubtful debts.

#### 4.2.2 Useful lives of property and equipment

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

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

| | |
|---|---|
| Furniture and fittings | 8 years |
| Computer equipment | 3 years |
| Motor vehicles | 4 to 5 years |
| Buildings | 50 years |
| Right of use assets | 3 years |

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

#### 4.2.3 Claims payable

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

#### 4.2.4 Actuarial valuation assumptions

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

## 5. ACTUARIAL DEFICIT

In accordance with Section 44 (2) of the National Pension Scheme Act No. 40 of 1996, the Scheme's actuarial obligation is required to be assessed on a tri-annual basis by independent actuaries. The Draft report for the actuarial valuation was carried out as at 31 December 2020. This was a combined valuation of the Provident Fund and Pension Scheme which was undertaken by Government's Actuary Department (GAD) of the United Kingdom. The actuarial valuation report, once finalised, will be 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**

| | **K' billion** |
|---|---|
| Value of benefits accrued | 72.4 |
| Assets | 41.0 |
| Deficit | (31.4) |

The key assumptions used in the valuation were:

| | % |
|---|---|
| Valuation interest rate | 12.5 |
| Long term inflation rate | 7.5 |
| Expected rate of return on Scheme assets | Earnings +2.5 |
| Future salary increases | 10.2 |
| Future pension increases | 10.2 |
| Mortality rate | |
| Men | 17.8 |
| Women | 21.1 |

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 ranges between K31.4 billion to K174.7 billion, with the worst scenario being based on earnings growth only. Presently, the Authority is earning a return which is equivalent to earnings + 5%.

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

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.

## 5. ACTUARIAL DEFICIT (CONTINUED)

**NPS Actuarial Surplus/Deficit**

| | Earnings +5% K'Billion | Earnings- +2.5% K'Billion | Earnings +0% K'Billion |
|---|---|---|---|
| Value of scheme liabilities | 72.4 | 116.7 | 215.7 |
| Assets | 41.0 | 41.0 | 41.0 |
| Surplus/(Deficit) | (31.4) | (75.7) | (174.7) |
| Fund status (assets as % of liabilities) | 56.6% | 35.1% | 19.0% |

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% until around 2036 depending on the contributor growth.

## 6. PENSION CLAIMS AND WITHDRAWALS

| Pension Scheme | 2021 K | 2020 K |
|---|---|---|
| Retirement Lumpsum | 95,966,474 | 115,986,713 |
| Survivors Lumpsum | 76,013,696 | 52,256,621 |
| Invalidity refund | 471,355 | 572,734 |
| Refund of contributions | 1,550 | 57,310 |
| | 172,453,075 | 168,873,378 |
| Indexed payments | 263,432,234 | 240,105,550 |
| Interest on refund | 17,802,660 | 15,164,027 |
| | 281,234,894 | 255,269,577 |
| Total | 453,687,969 | 424,142,955 |

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 criterion (sliding scale). In November 2018, the Authority discontinued the application of the sliding scale following the Supreme Court judgement in a matter where a member challenged its validity. As from February 2015, the Scheme has fully insured members who are now qualifying based on a full criterion of 180 months of contributions. Additionally, members who reach the retirement age but have not made 180 contributions are given a lumpsum payment comprising principal contributions, indexation amount and interest.

## 6. PENSION CLAIMS AND WITHDRAWALS (CONTINUED)

| Provident Fund | 2021 K | 2020 K |
|---|---|---|
| Interest on benefits | 275,899,433 | 348,187,175 |
| Home ownership | 172,144 | 708,943 |
| Age | 64,909,096 | 61,557,718 |
| Survivors | 53,086,867 | 47,303,689 |
| Disability | 117,338 | 320,207 |
| Savings | 96 | 785,727 |
| | 394,184,974 | 458,863,459 |

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

## 7. NORMAL RETIREMENT PENSIONS

| | 2021 K | 2020 K |
|---|---|---|
| Normal retirement pensions | 479,923,380 | 410,278,233 |

In accordance with the National Pension Scheme 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 (accrued rights) | 55 years |
| Early retirement (new) | 55 years |
| Normal retirement (new) | 60 years |
| Late retirement (new) | 65 years |

The pension payments made in 2021 relate to Members who have qualified after making 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 Authority in 2018 discontinued the award of pensions to members under the sliding scale, which was a reduced criterion for those aged between 39 and 48 years at inception of the Scheme on 1 February 2000. This followed the Supreme Court Judgement of 25th October 2018 which annulled the sliding scale as provided under Regulation 3 of the National Pension Scheme Statutory Instrument No. 71 of 2000.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 8. INVESTMENT INCOME

| | 2021 K | 2020 K |
|---|---|---|
| Gross interest income on Government Bonds | 4,504,461,935 | 4,370,139,888 |
| Gross interest income on Treasury bills | 392,630,350 | 473,075,251 |
| Interest income on fixed term deposits | 1,270,290,972 | 1,303,456,873 |
| Infrastructure loan – National Road Fund Agency (NRFA) | 1,207,242,504 | 1,024,608,201 |
| Infrastructure loan – Kafue Gorge Lower Hydro Power Project | 318,637,228 | 148,228,420 |
| Society House Development Company Limited (SHDCL) | - | 354,262,073 |
| Corporate bonds – Industrial Development Corporation (IDC) | 62,495,021 | 26,658,755 |
| Net rental income | (6,017,415) | (6,594,866) |
| Interest on cash deposits | 15,700,745 | 29,835,346 |
| Dividends from equities | 92,288,868 | 52,434,422 |
| Interest income on other stocks and bonds | 1,585,544 | 3,816,652 |
| Other investment income | 3,649,879 | 2,874,912 |
| Sundry income | 353,953 | 448,329 |
| | 7,863,319,584 | 7,783,244,256 |

### 9. NET EXCHANGE GAINS/(LOSSES)

| | | |
|---|---|---|
| Foreign exchange losses | (1,317,069,673) | (5,999,913) |
| Foreign exchange gains | 248,715,632 | 340,868,561 |
| | (1,068,354,041) | 334,868,648 |

This denotes translation of monetary assets and liabilities quoted in foreign currencies and US dollar denominated bank account balances for the Authority.

### 10. 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 ("T-bills") 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. The discount income for government bonds is not subject to tax beginning 1 January 2016. Furthermore, the Authority was required to pay withholding tax on rental receipts at a rate of 10% in 2021 following the removal of the exemption on withholding tax on rent for statutory bodies.

| | 2021 K | 2020 K |
|---|---|---|
| 10.1 Withholding tax @ 15% on interest on Treasury bills and Government bonds | 519,581,577 | 508,659,077 |
| Tax on rental receipts | 8,989,274 | 7,517,406 |
| | 528,570,851 | 516,176,483 |
| 10.2 Included under current liabilities | | |
| Payable in respect of previous year | 98,178,587 | 101,241,991 |
| Payable in respect of the current year | 528,570,851 | 516,176,483 |
| | 626,749,438 | 617,418,474 |
| Payments during the year | (512,060,441) | (519,239,886) |
| Current tax liabilities | 114,688,997 | 98,178,588 |

## 11. EMPLOYEE BENEFIT EXPENSES

| | 2021<br>K | 2020<br>K |
|---|---|---|
| Salaries and other staff benefit costs | 400,381,424 | 369,332,624 |
| Pension costs | 26,237,284 | 24,353,707 |
| | 426,618,708 | 393,686,331 |

11.1 The Authority runs an in-house pension scheme for non-fixed contract staff in which it pays its share of contributions. The in-house pension scheme operates independently from the Authority and manages both the defined contribution and defined benefit schemes. The defined benefit scheme was closed to new members in 2007.

11.2 The in-house pension scheme has rules which specify that the Authority has no recourse over the actuarial surplus and accordingly, the surplus is not recorded in the Authority's accounting records.

11.3 The last actuarial valuation was completed for the year ended 31 December 2020 and the report was issued in July 2021 by Quantum Consultants and Actuaries (Zambia) 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 for the defined benefit scheme was:

| | Latest Valuation<br>K | Previous Valuation<br>K |
|---|---|---|
| Pension plan assets | 22,782,000 | 20,844,000 |
| Liability to members | (21,533,017) | (16,088,000) |
| Surplus | 1,248,983 | 4,756,000 |
| Funding level | 106% | 130% |

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 salary increase | | 9% per annum |
| Rate of revaluation in deferment | | 7% per annum |
| Mortality | - Pre- retirement | A56/62 Ultimate table |
| | - Post retirement | A (55) Males/females ultimate table |
| Number of active members | | 16 |

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 21.6% of DB Scheme members' total Pensionable Salaries which, net of members' contributions at 10%, gives the Sponsor's required contribution rate of 11.6% of DB Scheme Members' Pensionable Salaries. This is before any adjustments are 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 actuarial 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| 12. ADMINISTRATION EXPENSES | 2021 K | 2020 K |
|---|---|---|
| Advertising and promotion | 14,151,270 | 11,457,294 |
| Appointments | 2,501,932 | 3,294,536 |
| Audit fees | 1,903,832 | 2,000,000 |
| Authority expenses | 2,747,470 | 3,926,773 |
| Bank charges | 2,569,400 | 2,218,900 |
| Books and magazines | 488,566 | 582,552 |
| Building and repairs | 4,183,901 | 3,422,548 |
| Business research and projects | 4,022,351 | 6,685,168 |
| Cleaning materials | 557,454 | 368,187 |
| Computer expenses | 46,403,131 | 26,316,332 |
| Corporate Social Responsibility | 903,023 | 1,783,490 |
| Donations and grants | 147,149 | 196,352 |
| Electricity and water | 2,657,118 | 2,440,906 |
| Employer seminars | 86,178 | 10,491 |
| Interest expense | 10,173 | 34,409 |
| Internet and related charges | 5,032,719 | 4,989,621 |
| Legal fees and related charges | 19,147,413 | 28,966,690 |
| Motor vehicle expenses | 11,163,915 | 9,593,617 |
| Office and related expenses | 7,859,242 | 2,490,252 |
| Other expenses | 13,024,245 | 13,251,942 |
| Printing and stationery | 3,008,996 | 720,556 |
| Professional fees CSO | 970,000 | 950,000 |
| Relocation costs | 25,600 | 11,840 |
| Rent | 3,202,404 | 8,516,504 |
| Sports expenses | 56,101,000 | 22,421,610 |
| Staff welfare and training | 6,939,770 | 5,069,762 |
| Support to national biometric project | - | 18,423,534 |
| Telephone and postage | 1,617,859 | 978,933 |
| Travelling expenses | 19,539,302 | 15,503,035 |
| | 230,965,413 | 196,625,834 |

## 13. GOVERNMENT SECURITIES

| | | |
|---|---|---|
| Government bonds | 21,576,702,407 | 16,416,232,592 |
| Treasury bills | 3,078,583,052 | 1,831,737,157 |
| | 24,655,285,459 | 18,247,969,749 |

### 13.1 Government bonds

| | | |
|---|---|---|
| At the beginning of the year | 16,416,232,592 | 13,097,803,229 |
| Purchases | 2,702,090,220 | 8,399,072,212 |
| Bonds matured during the year | (1,710,974,950) | (4,895,835,838) |
| Change in fair value | 4,169,354,545 | (184,807,011) |
| **At the end of the year** | 21,576,702,407 | 16,416,232,592 |

Maturity analysis:

| | | |
|---|---|---|
| 2 to 5 year Government bonds | 6,297,569,197 | 8,218,307,783 |
| 7 to 15 year Government bonds | 15,279,133,210 | 8,197,924,809 |
| | 21,576,702,407 | 16,416,232,592 |

The Authority holds Government bonds with varying interest rates between 9% and 15%. Interest is receivable semi-annually. The bonds mature on diverse dates between February 2022 and June 2035.

## 13. GOVERNMENT SECURITIES (CONTINUED)

| | | 2021 | 2020 |
|---|---|---|---|
| 13.2 | **Treasury bills** | K | K |
| | At the beginning of the year | 1,831,737,157 | 2,626,742,094 |
| | Purchases | 4,002,111,403 | 3,000,916,742 |
| | Maturities during the year | (2,702,549,190) | (3,787,668,302) |
| | Change in fair value (note 23) | (52,716,318) | (8,253,377) |
| | At the end of the year | 3,078,583,052 | 1,831,737,157 |
| | **Total Government securities** | 24,655,285,459 | 18,247,969,749 |
| 13.3 | **Fair value movement** | | |
| | Government bonds | 4,169,354,545 | (184,807,011) |
| | Treasury bills | (52,716,318) | (8,253,377) |
| | | 4,116,638,227 | (193,060,388) |

## 14 OTHER SECURITIES

| | | |
|---|---|---|
| Fixed term deposits | 9,879,329,477 | 6,384,372,028 |
| Other stocks and bonds | 478,122,533 | 379,049,533 |
| | 10,357,452,010 | 6,763,421,561 |
| **Movement in Other Securities:** | | |
| At the beginning of the year | 6,763,421,561 | 6,556,216,815 |
| Purchases | 14,147,896,330 | 10,484,158,987 |
| Receipts | (10,553,865,880) | (10,155,121,234) |
| Term deposit reclassified to equity (Note 15(b)) | - | (121,833,007) |
| At the end of the year | 10,357,452,011 | 6,763,421,561 |
| 14.1 **Fixed term deposits** | | |
| ABSA Bank Zambia Plc | 596,397,809 | 252,334,247 |
| Access Bank Zambia Limited | 645,377,305 | 352,058,389 |
| Atlasmara Limited | 382,279,014 | 343,390,481 |
| Development Bank of Zambia | 65,077,455 | 87,162,224 |
| Ecobank Limited | 1,219,187,009 | 530,134,912 |
| First Alliance Bank Limited | 194,924,506 | 169,384,845 |
| First Capital Bank | 530,750,975 | 208,521,547 |
| First National Bank Limited | 324,200,630 | 168,926,869 |
| Indo-Zambia Bank Limited | 998,367,721 | 887,678,583 |
| Investrust Bank Plc | - | 51,883,699 |
| National Savings Bank | 525,513,699 | 437,979,452 |
| Stanbic Bank Zambia Limited | 1,544,359,639 | 1,232,154,030 |
| United Bank of Africa Limited | 682,128,015 | 155,767,808 |
| Zambia Industrial Commercial Bank | 49,841,449 | - |
| Zambia National Building Society | 79,645,500 | 79,596,312 |
| Zambia National Commercial Bank Plc | 2,042,329,393 | 1,433,692,586 |
| | 9,880,380,119 | 6,390,665,984 |
| Less impairment* | (1,050,642) | (6,293,956) |
| | 9,879,329,477 | 6,384,372,028 |

* The Authority received a partial payment of the maturity proceeds from the fixed term deposits held with the Development Bank of Zambia (DBZ), which became due in 2019. Further, DBZ paid the accrued interest thereon on a consistent basis. The pattern of payments reflected the reduction in default risks. At the end of the reporting period, the bank had paid a total sum of K29.7 million, comprising principal of K9.7 million and interest of K20 million. A total of K65 million (2020: K87 million) comprising principal of K64.8 million and accrued interest of K0.28 million was still outstanding at the reporting date. This excludes the revised expected credit loss of K1 million.

The investment in fixed term deposits in DBZ is secured with collateral.

## 14. OTHER SECURITIES (CONTINUED)

14.2 Fixed Term Deposits (previously held by the Provident Fund) in Companies in liquidation

| | 2021 K | 2020 K |
|---|---|---|
| Capital Bank Limited (In Liquidation) | 430 | 430 |
| Commerce Bank Limited (In Liquidation) | 1,365,977 | 1,365,977 |
| Credit Africa Bank Limited (In Liquidation) | 793,790 | 793,790 |
| First Merchant Bank Limited (In Liquidation) | 847,187 | 847,187 |
| UniFinance Zambia Limited (In Liquidation) | 119,837 | 119,837 |
| Union Bank Limited (In Liquidation) | 231,762 | 231,762 |
| Union Bank Limited (In Liquidation) | 299,850 | 299,850 |
| Union Leasing Zambia Limited (In Liquidation) | 202,835 | 202,835 |
| United Bank of Zambia Limited (In Liquidation) | 80,517 | 80,517 |
| | 3,942,185 | 3,942,185 |
| Less: Provision | (3,942,185) | (3,942,185) |
| | - | - |

| | 2021 K | 2020 K |
|---|---|---|
| 14.3 **Other stocks and bonds** | | |
| Stanbic Bank Zambia Ltd (a) | - | 13,666,805 |
| Industrial Development Company Ltd (b) | 493,322,533 | 376,982,728 |
| Meridian BIAO Bank Limited (In liquidation) | 11,252 | 11,252 |
| | 493,333,785 | 390,660,785 |
| Less: Impairment provision | (15,211,252) | (11,611,252) |
| | 478,122,533 | 379,049,533 |
| **Movement in impairment provision** | | |
| At beginning of year | 11,611,252 | 811,252 |
| Impairment/(reversal) loss recognised in the year | 3,600,000 | 10,800,000 |
| At end of year | 15,211,252 | 11,611,252 |

(a) **Stanbic Bank Zambia Limited**

This consists of 1 corporate bond with maturity of 5 years. The corporate bond is denominated in Zambian Kwacha and bears interest on a floating rate at 182 days Treasury bills + 450 basis points margin. It reached maturity in July 2021.

(b) **Industrial Development Company Limited**

This consists of two corporate bonds classified under the economically targeted asset class. The bonds are denominated in Zambian Kwacha and bear the following characteristics:

(i) a bond with a tenor of 7 years which matures in May 2027. The bond bears interest at 15 percent payable semi-annually.
(ii) a 2-year bond which contains an option of converting into a 5-year bond. The bond bears interest on the floating rate of 182-days Treasury bills. It is due to mature in April 2023 and is redeemable at a multiple of 1.25X

## 15. EQUITY INVESTMENTS

| | 2021<br>K | 2020<br>K |
|---|---|---|
| Investments in shares listed on LuSE (note 15.1) | 2,219,855,248 | 1,521,376,936 |
| Investment in Society House Development Company (note 15.3) | 19,630,853 | 19,630,853 |
| Investment in Levy Business Park Hotel (note 15.3) | 17,844,345 | 17,844,345 |
| Zambia Industrial Commercial Bank Limited (b) | 446,619,862 | 168,533,006 |
| Share previously held by Provident Fund (note 15.2) | 2,205,980 | 2,205,980 |
| Investment in Marcopolo Tiles (note 15.4) | 272,885,611 | 272,885,611 |
| Investment in MTN Zambia Limited (note 15.4) | 287,277,372 | 287,277,372 |
| Investment in Wonderful Industries Zambia Limited (note 15.4) | 854,047,530 | 854,047,530 |
| | 4,120,366,801 | 3,143,801,633 |
| Less Impairment | (64,937,909) | (64,937,909) |
| | 4,055,428,892 | 3,078,863,724 |

Impairment comprises the following:

(a) The impairment of K9,472,790.60 relates to the value of the 683,956 disputed Lafarge Cement Zambia Plc shares.

(b) There is an impairment of K46.7 million relating to the value of shares held in Zambia Industrial Commercial Bank (ZICB). The equity investment relates to a fixed term deposit previously held in the defunct Intermarket Banking Corporation Limited, prior to conversion into shares upon ZICB taking over its operations. The Authority increased its equity interest in ZICB through a conversion of another fixed term deposit of K121.83 million [including interest accrued thereon] in 2020.

During the reporting period, the Authority further increased its equity interest through the acquisition of additional shares at a cost of K331 million. At 31 December 2021, the total equity investment in ZICB was K447 million, translating to 64.27% shareholding.

(c) The shares previously held in the name of the closed Zambia National Provident Fund (as shown in Note 15.1)

### 15.1 Investments in shares listed on LuSE

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

| | 2021<br>K | 2020<br>K |
|---|---|---|
| At beginning of the year | 1,521,376,936 | 1,099,656,371 |
| New acquisitions` | - | 211,780,556 |
| Disposal of shares | - | (3,145,145) |
| Change in fair value | 698,478,312 | 213,085,154 |
| At end of the year | 2,219,855,248 | 1,521,376,936 |

## 15. EQUITY INVESTMENTS (CONTINUED)

### 15.1 Investments in shares listed on LuSE (continued)

**Fair value Movement**

| | | |
|---|---|---|
| **Shares** | 698,478,312 | 213,085,154 |

The equity investments comprised shares in the following entities:

| NAPSA | No. of shares | Share price | 2021 Market Value K | 2020 Market Value K |
|---|---|---|---|---|
| ZCCM - Investments Holdings Plc | 24,120,043 | 37.98 | 916,079,233 | 935,857,668 |
| Zambia Sugar Plc | 30,788,019 | 14.50 | 446,426,270 | 78,509,448 |
| Standard Chartered Bank Plc | 39,873,975 | 1.20 | 47,848,770 | 55,823,565 |
| Zambeef Products Plc | 24,797,819 | 1.61 | 39,924,489 | 27,277,601 |
| Lafarge Zambia Plc | 9,499,942 | 13.85 | 131,574,197 | 19,664,880 |
| Puma Energy Zambia Plc | 49,972,746 | 1.21 | 60,467,023 | 39,978,197 |
| Zambia National Commercial Bank Plc | 140,355,063 | 1.90 | 266,674,619 | 65,966,879 |
| Real Estate Investments Zambia Plc | 5,691,431 | 1.25 | 7,114,289 | 2,219,658 |
| National Breweries Plc | 1,400,000 | 9.20 | 12,880,000 | 12,894,000 |
| Metal Fabricators of Zambia Plc | 3,290,567 | 4.78 | 15,728,910 | 15,728,910 |
| British American Tobacco Zambia Plc | 6,394,439 | 1.45 | 9,271,937 | 11,509,990 |
| Copperbelt Energy Corporation Plc | 15,779,333 | 2.65 | 41,815,233 | 17,357,267 |
| Prima Re-Insurance Plc | 6,422,842 | 2.79 | 17,919,729 | 17,983,958 |
| Pamodzi Hotel Plc | 4,164,607 | 0.60 | 2,498,764 | 2,582,056 |
| African Explosives Zambia Plc | 293,798 | 29.38 | 8,631,785 | 6,022,859 |
| ZAFFICO Plc | 100,000,000 | 1.95 | 195,000,000 | 212,000,000 |
| | | | 2,219,855,248 | 1,521,376,936 |

### 15.2 Provident Fund

| | | | | |
|---|---|---|---|---|
| Commerce Bank Limited (In Liquidation) | 2,157,780,000 | 0.0010 | 2,157,780 | 2,157,780 |
| Development Bank of Zambia | 4,505 | 10.000 | 45,050 | 45,050 |
| Zambia Consumers Buyers Co-operative (In Liq.) | 500,000 | 0.005 | 2,500 | 2,500 |
| Lima Bank Limited (In Liquidation) | 500,000 | 0.001 | 500 | 500 |
| Kapiri Glass Products Limited (In Liquidation) | 150,000 | 0.001 | 150 | 150 |
| | | | 2,205,980 | 2,205,980 |
| Less: Impairment provision | | | (2,205,980) | (2,205,980) |
| | | | - | - |

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

### 15.3 Investments in Levy Business Park Hotel Limited and Society House Development Company Limited

The Authority in line with its investments guidelines holds 100% interest in Special Purpose Vehicles (SPVs), namely Society House Development Company Limited and Levy Business Park Hotels Limited. As there is no reliable measure of the fair value of these investments at the reporting date,

## 15. EQUITY INVESTMENTS (CONTINUED)

### 15.3 Investments in Levy Business Park Hotel Limited and Society House Development Company Limited (Continued)

the investment has been carried at cost. In subsequent reporting periods, the Authority will revalue these investments when a reliable measure will be available.

Equity investments in special purpose vehicles comprised of shares in the following entities:

| | 2021<br>K | 2020<br>K |
|---|---|---|
| Investment in Society House Development Company Ltd | 19,630,853 | 19,630,853 |
| Investment in Levy Business Park Hotels Ltd | 17,844,345 | 17,844,345 |
| | 37,475,198 | 37,475,198 |

### 15.4 Investments in Private Equity

The Authority owns private equity investments in three other unlisted companies, namely MTN Zambia Limited, Marcopolo Tiles Zambia Limited and Wonderful Industries Zambia Limited. Investment in unlisted shares is part of the Authority's overall investment strategy to diversify its portfolio of investments and optimise the asset mix.

Details of the Authority's investment in three other unlisted shares are shown below.

| | Shareholding | 2021<br>K | 2020<br>K |
|---|---|---|---|
| Marcopolo Tiles Zambia Limited | 16.8% | 272,885,611 | 272,885,611 |
| MTN Zambia Limited | 8% | 287,277,372 | 287,277,372 |
| Wonderful Industries Zambia Limited | 35% | 854,047,530 | 854,047,530 |
| | | 1,414,210,513 | 1,414,210,513 |

## 16. LOANS AND ADVANCES

This asset class mainly relates to loans for real estate and infrastructure that the Authority has advanced.

| | 2021<br>K | 2020<br>K |
|---|---|---|
| Receivable from: | | |
| National Road Fund Agency Loan (Note 16.1) | 4,515,003,288 | 3,893,146,509 |
| Kafue Gorge Lower Hydro Power Project (Note 16.2) | 3,566,594,680 | 2,766,134,813 |
| Phantom Exchange (Note 16.3) | 2,362,592 | 2,362,592 |
| Socially targeted Loans (Note 16.4) | 76,199,330 | 66,644,193 |
| Livingstone Market and Bus- Station Management Company Limited (Note 16.5) | 40,819,822 | 35,694,873 |
| Other Receivables (Note 16.6) | 1,067,087 | 1,067,087 |
| | 8,202,046,799 | 6,765,050,067 |
| Impairment provision (Note 16.7) | (768,126,501) | (204,974,943) |
| | 7,433,920,298 | 6,560,075,124 |

### 16.1 National Road Fund Agency Loan (NRFA)

This is an investment in the road sector under the debt finance to National Road Fund Agency (NRFA). Initially, the debt facility was K2.1 billion intended for the construction of the North corridor road stretching from Ndola to Solwezi and included the construction of road toll plazas. Under a restructured debt facility, the loan was increased by a further K1.8 billion to a total sum of K3.9 billion after the initial loan facility was fully disbursed in 2019. The additional investment is intended to finance the completion of the stretch covering Chingola and Solwezi roads as well as construction of Solwezi to Kipushi road.

Under the revised terms of the agreement, the debt instrument is benchmarked to a 15-year Government bond without any added margin and is secured with enhanced collateral via an escrow agreement. The tenor of the debt facility was also extended from 10 years to 15 years.

At the reporting date, the loan facility was fully disbursed, and the loan outstanding stood at K4.5 billion comprising the principal amount of K4.4 billion [including the capitalised interest of K500 million accrued over a moratorium period of one year] and unpaid interest of K110 million accrued thereon.

### 16.2 Kafue Gorge Lower Hydro Power Project

This is an investment in the energy sector through a 20-year debt instrument of $190 million. The facility was utilised to fund the completion of the Kafue Gorge Lower Hydro Power Plant with the generation capacity of 750MW power. In line with the financing agreement, the Industrial Development Company (IDC) Limited would access financing for on-lending to Zambia Electricity Supply Company Limited through its energy sector special purpose vehicle, Zambia Power Limited.

At the reporting date, a total of $190 million was fully disbursed under the facility on which interest income of $24 million had accrued, translating to Kwacha equivalent of K214 million in outstanding loan balance.

## 16. LOANS AND ADVANCES (CONTINUED)

### 16.3 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.

### 16.4 Socially Targeted Loans

Under the socially targeted investment class, the Authority disbursed a total sum of K81 million under a mortgage facility to its staff. At the reporting date, the loan receivable stood at K76 million comprising solely the principal outstanding.

### 16.5 Livingstone Market and Bus Station Management Company Limited

In May 2019, the Authority extended its investment in socially targeted assets via a loan facility in the sum of K33 million to its special purpose vehicle (SPV), Livingstone Market and Bus-Station Management Company Limited, for the completion of the modern Bus Terminus and Market in Livingstone. The loan facility was extended by a further K8 million to K42 million in 2021. A total sum of K34 million had been disbursed towards the project at the end of the reporting period.

At the reporting date, the total loan outstanding stood at K40.5 million, including accrued interest of K7.2 million which had been impaired in full.

| | 2021<br>K | 2020<br>K |
|---|---|---|
| **16.6 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 |

| 16.7 Impairment provisions | 2021<br>K | 2020<br>K |
|---|---|---|
| The provisions are comprised of the following: | | |
| Phantom Exchange | 2,362,592 | 2,362,592 |
| Other receivables | 1,067,087 | 1,067,087 |
| National Road Fund Agency | 602,377,000 | 124,000,000 |
| Kafue Gorge Lower Hydro Power Project | 121,500,000 | 74,000,000 |
| Livingstone Market and Bus-Station Company Limited | 40,819,822 | 3,545,264 |
| **Balance at end of the year** | 768,126,501 | 204,974,943 |
| | | |
| Balance at the beginning of the year | 204,982,943 | 1,388,003,071 |
| Impairment loss recognised in the year | 563,151,558 | 795,416,747 |
| Impairment provision derecognised (note 16.7.1) | - | (1,978,444,875) |
| **Balance at the end of the year** | 768,126,501 | 204,974,943 |

16.7.1 This relates to the expected credit losses provided on a loan to Society House Development Company Limited (SHDCL). The loan was discharged in December 2020 after the Authority acquired a stake worth K230 million, previously held by Zambia National Building Society (ZNBS), in the Society Business Park.

## 17. HOUSING INVENTORY

| | 2021 K | 2020 K |
|---|---|---|
| Housing inventory: | | |
| Inventory - Northgate Gardens | 3,145,773 | 62,915,476 |
| Inventory - Kalulushi Housing | 67,233,547 | 71,680,557 |
| Inventory - Nyumba Yanga | 15,855,001 | 50,900,042 |
| Inventory - River View Park | 408,500 | 408,500 |
| Inventory – Chinsali Housing | 17,452,275 | 6,160,361 |
| | 104,095,096 | 192,064,936 |
| Impairment loss | (37,845,700) | (53,311,135) |
| | 66,249,396 | 138,753,801 |

| | 2021 K | 2020 K |
|---|---|---|
| **Movement in impairment on housing inventory** | | |
| Balance at beginning of the year | 53,311,136 | 66,672,533 |
| Impairment derecognised on inventories (sale of houses) | (18,735,390) | (14,545,867) |
| Impairment recognised on inventories | 3,269,954 | 1,184,470 |
| Balance at end of the year | 37,845,700 | 53,311,136 |

The Authority wrote down as losses the additional expenses incurred on housing units at Northgate Gardens and Kalulushi Housing Projects.

## 18. INVESTMENT PROPERTIES

| | 2021 K | 2020 K |
|---|---|---|
| Balance at beginning of the year | 5,530,397,735 | 3,063,930,410 |
| Additions | 892,965,657 | 2,097,488,104 |
| Disposals | (23,028,600) | - |
| Transfer to property, plant and equipment (PPE) | (170,034,790) | - |
| Changes in fair value | (1,739,979) | 368,979,221 |
| Balance at end of the year | 6,228,560,023 | 5,530,397,735 |

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

The Authority's portfolio of investment properties comprises properties that are under development, parcels of bare land acquired through outright purchase and debt swaps with District Councils and commercial buildings for rent as well as housing units for sale. The fair value model is applied to account for investment properties which are revalued on a continuing basis to reflect the carrying amounts that approximate to the market values of similar properties. The Authority contracts professional independent valuers, holding recognised professional qualifications and are registered members of the Valuation Surveyors Registration Board, to value its investment properties.

During the year, the values of the Authority's investment properties remained largely unchanged from 2020. The impact of Covid-19 had caused a stagnation in the market values of many commercial properties. Generally, the property market is known for price increases due to high demand for properties. However, many properties experienced low tenant take-ups and reduced foot traffic due to the pandemic. As a result, the rentals were not adjusted upwards to cushion businesses against the adverse effects of Covid-19. There was no significant movement in property values.

## 18. INVESTMENT PROPERTIES (CONTINUED)

In the last property valuation, the Authority contracted the valuation services of Five Stars Properties, who are registered valuation surveyors to revalue all its investment properties. The properties include all Ex ZNPF properties, Levy Business Park, Kalulushi shopping complex and school building at Kalulushi

Housing Complex, Edgar Chagwa Lungu (ECL) Business Park, River View Park, Makeni Housing Project, Record Centre at River View Park Project and parcels of bare land. Further, the Authority continued its investments in real estate such as the construction of Mosi-Oa-Tunya Livingstone Resort in Livingstone, NAPSA Club House, Mufulira Mixed Use Development, as well as refurbishment of selected Ex ZNPF properties.

At the reporting date, the Authority also held other investment properties including the following: (a) housing units for sale at Ibex Hill and Nyumba Yanga Project in Lusaka, and (b) prime land in the Baobab Area of Makeni. The Ibex Hill Gardens and the Nyumba Yanga Highrise Flats were offered for sale in 2019 at market value.

### (b) Fair value hierarchy

The fair value measurement for investment property of K6,228,560,023 (31 December 2020: K5,530,397,735) 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 their fair values.

### (c) Valuation technique and significant unobservable inputs used

Various valuation techniques were applied in determining the fair value of property. The selection of the valuation method was aided by several factors including the following: bases and premises of value; purpose of valuation; strength and weaknesses of the appropriate method; and the availability of appropriate information needed to apply the method. Further, the method adopted in arriving at the fair values was premised on the property type. In this regard, the following valuation techniques were applied:

**Table 6: Valuation Techniques**

| Item Number | Property Type | Valuation Method |
|---|---|---|
| 1 | Commercial (offices) | Investment Method |
| 2 | Retail (shopping malls) | Discounted Cashflow Technique/Investment Method |
| 3 | Vacant Land | Market Approach |
| 4 | Residential | Market Approach |
| 5 | Hotels | Profits Method |

## 18. INVESTMENT PROPERTIES (CONTINUED)

### (c) Valuation technique and significant unobservable inputs used (continued)

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

**Table 7: Significant unobservable inputs**

| Significant unobservable inputs | Sensitivity |
|---|---|
| The following are the significant unobservable inputs | The estimated fair value would increase/ (decrease) if: |
| • Expected market rental growth (Weighted average 10%). | • Expected market rental growth were higher/ (lower); |
| • Void periods (average 2 to 6 months after the end of each cancelled lease). | • Void periods were shorter/(longer); |
| • Occupancy rate (92-95% weighted average (93.5%). | • 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 (weighted average 8%). | • The risk-adjusted discount rate were lower/ (higher). |

| | 2021<br>K | 2020<br>K |
|---|---|---|
| **19. BANK AND CASH BALANCES** | | |
| Bank balances held at various banks | 915,152,473 | 822,340,943 |
| **20. EMPLOYEE RECEIVABLES** | | |
| Staff loans and advances | 7,601,307 | 5,465,784 |
| Bad debts provision | (67,131) | (67,131) |
| | 7,534,176 | 5,398,653 |
| **Movement in allowance for doubtful debts** | | |
| Balance at the beginning of year | 67,131 | 22,936 |
| Impairment losses recognised | - | 44,195 |
| **Balance at end of the year** | 67,131 | 67,131 |

| | | 2021<br>K | 2020<br>K |
|---|---|---|---|
| 21. | **OTHER RECEIVABLES** | | |
| | Rental receivables | 168,602,076 | 168,551,653 |
| | VAT recoverable | 285,666,263 | 192,966,062 |
| | Dividend receivables | 12,930 | 12,930 |
| | Debtors: investments | 186,357,940 | 123,595,300 |
| | Prepayments | 11,242,784 | 20,255,639 |
| | Sundry receivables | 38,594,281 | 17,066,606 |
| | | 690,476,274 | 522,448,190 |
| | Bad debt provision | (199,066,807) | (169,105,746) |
| | | 491,409,467 | 353,342,444 |
| | **Movement in allowance for doubtful debts** | | |
| | Balance at the beginning of year | 169,105,746 | 166,642,411 |
| | Impairment losses (derecognised)/ recognised on receivables | 29,961,061 | 2,463,335 |
| | Amounts recovered during the year | - | - |
| | **Balance at end of the year** | 199,066,807 | 169,105,746 |
| 22. | **CONTRIBUTIONS RECEIVABLE FROM MEMBERS** | | |
| | **Member contributions** | 707,212,615 | 452,145,190 |

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, subject to the contribution ceiling.

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 12 January 2022 (the due date was extended by two days from 10th January 2022) recognised in 2021 amounted to K707,212,615 (2020: K452,145,190).

Other than contributions received between 1 January and 12 January 2022, the Authority received member contributions during the year which were partially receipted by year end owing to partial returns submitted by the contributing employers.

## 23. CHANGE IN MARKET VALUE OF INVESTMENTS

| | Note | Value at 1 January 2021 | Purchases at cost | Disposal | Reclassified | Change in market value | Value at 31 December 2021 |
|---|---|---|---|---|---|---|---|
| Equity | 15.1 | 1,521,376,936 | - | - | - | 698,478,312 | 2,219,855,248 |
| Government Bonds | 13.1 | 16,416,232,592 | 2,702,090,220 | (1,710,974,950) | - | 4,169,354,545 | 21,576,702,407 |
| Treasury bills | 13.2 | 1,831,737,157 | 4,002,111,403 | (2,702,549,190) | - | (52,716,318) | 3,078,583,052 |
| Other securities | 14 | 6,763,421,561 | 14,147,896,330 | (10,553,865,880) | - | - | 10,357,452,011 |
| Investment property | 18 | 5,530,397,735 | 892,965,657 | (23,028,600) | (170,034,790) | (1,739,979) | 6,228,560,023 |
| | | 32,063,165,981 | 21,745,063,610 | (14,990,418,620) | (170,034,790) | 4,813,376,560 | 43,461,152,741 |

## 24. PROPERTY AND EQUIPMENT

### 24.1 Summary

| | Leasehold land & buildings | Motor vehicles | Office furniture, equipment and fittings | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2020 | 1,290,418 | 96,606,395 | 189,447,216 | 287,344,029 |
| Additions | - | 26,072,692 | 23,751,221 | 49,823,913 |
| Reclassification | - | - | - | - |
| Disposals | - | (5,368,775) | (308,688) | (5,677,463) |
| **Balance at 31 December 2020** | 1,290,418 | 117,310,312 | 212,889,749 | 331,490,479 |
| Additions | - | 7,650,401 | 13,670,643 | 21,321,044 |
| Adjustment/reclassification | 169,929,530 | - | 107,555 | 170,037,085 |
| Disposals | - | (11,697,879) | (1,098,581) | (12,796,460) |
| **Balance at 31 December 2021** | 171,219,948 | 113,262,834 | 225,569,366 | 510,052,148 |
| **Accumulated depreciation and impairment** | | | | |
| Balance at 1 January 2020 | 396,145 | 51,532,238 | 105,531,810 | 157,460,193 |
| Charge for the year | 418,855 | 15,018,515 | 48,109,334 | 63,546,704 |
| Eliminated on disposal | - | (4,157,946) | (254,671) | (4,412,617) |
| **Balance at the 31 December 2020** | 815,000 | 62,392,807 | 153,386,474 | 216,594,281 |
| Charge for the year | 3,708,477 | 17,068,349 | 20,661,945 | 41,438,771 |
| Eliminated on disposal | - | (9,891,034) | (725,144) | (10,616,178) |
| **At 31 December 2021** | 4,523,477 | 69,570,122 | 173,323,275 | 247,416,874 |
| **Carrying amount** | | | | |
| **Balance at 31 December 2021** | 166,696,471 | 43,692,712 | 52,246,091 | 262,635,274 |
| Balance at 31 December 2020 | 475,417 | 54,917,505 | 59,503,275 | 114,896,198 |

## 24. PROPERTY AND EQUIPMENT (CONTINUED)

### 24.2 Leased office buildings

The right-of-use assets by class of assets is as follows:

| Buildings | Carrying amounts | Depreciation expense | Impairment |
|---|---|---|---|
| | 62,377 | 307,781 | - |

The Authority includes the right-of-use assets in the same line item in the statement of net assets as it would present the corresponding underlying assets if they were owned.

## 25. CAPITAL COMMITMENTS

As at 31 December 2021, the Authority had capital commitments of K162 million (2020: K100 million).

## 26. PROVISIONS FOR CLAIMS PAYABLE

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

| | 2021 K | 2020 K |
|---|---|---|
| At the beginning of the year | 32,151,600 | 7,286,600 |
| Charge for the year | 15,988,340 | 24,865,000 |
| Paid during the year | (22,485,404) | - |
| At the end of the year | 25,654,536 | 32,151,600 |

## 27. OTHER PAYABLES AND ACCRUED EXPENSES

| | 2021 K | 2020 K |
|---|---|---|
| Provisions | 116,723,217 | 85,654,314 |
| Other creditors | 30,751,400 | 676,297,358 |
| Contract retentions | 141,116,704 | 8,346,371 |
| Lease liability | 93,451 | 992,490 |
| Accrued expenses | 124,716,579 | 53,873,255 |
| Amounts due to related parties | 2,835,975 | 41,479,713 |
| Deposit on sale of houses | 56,449,312 | 105,345,196 |
| Collateral held on investments | - | - |
| | 472,686,638 | 971,988,697 |

### 27.1 Collateral Held on investments

This relates to funds received from collateral securities that matured in the books of the Authority. At the reporting date, the Authority had transferred all proceeds from collateral maturities to its counterparties.

### 27.2 Collateral Held by the Authority

As at 31 December 2021, the Authority held collateral worth K10.3 billion in form of Government bonds and Treasury bills in respect of Fixed Term deposits.

| | 2021 K | 2020 K |
|---|---|---|
| **27.3 Lease liabilities** | | |
| Current | 93,451 | 879,941 |
| Non-current | - | 112,549 |
| | 93,451 | 992,490 |

## 27. OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

### 27.3 Lease Liabilities (continued)

The lease liability relates to the rented office building in Kafue District. The lease commenced on 1st April 2017 for a period of fifty-nine (59) months and expires in March 2022.

| Movement in lease liabilities: | 2021<br>K | 2020<br>K |
|---|---|---|
| At beginning of the year | 992,490 | 1,052,567 |
| Adjustment to liability | (172,595) | 38,359 |
| Lease repayments during the year | (696,205) | (565,081) |
| Exchange loss | (30,239) | 466,645 |
| At the end of the year | 93,451 | 992,490 |

The lease liabilities are denominated in US dollar, the currency in which rent for offices is payable.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of net assets available for benefits as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Authority's income) are excluded from the initial measurement of the lease liability and asset. The Authority classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Authority to sublet the asset to another party, the right-of-use asset can only be used by the Authority. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Authority is prohibited from selling or pledging the underlying leased assets as security. For leases over commercial premises the Authority must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Authority must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

## 27. OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

### 27.3 Lease Liabilities (continued)

The table below describes the nature of the Authority's leasing activities by type of right-of-use asset recognised on the statement of financial position:

**Table 8: Right-of-use asset**

| Right-of-use asset | No. of right-of-use assets leased | Range of remaining term | Average remaining lease term | No. of leases with extension options | No. of leases with options to purchase | No. of leases with variable payments linked to an index | No. of leases with termination options |
|---|---|---|---|---|---|---|---|
| Motor vehicles | - | - | - | - | - | - | - |
| Land & buildings | 1 | 1 to 3 months | 2 months | - | - | - | - |

The Authority has leases for K992,940. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2021 were as follows:

**Table 9: Minimum Lease Payments Due**

| | Minimum lease payments due | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 year K' | 1-2 years K' | 2-3 years K' | 3-4 years K | 4-5 years K | After 5 years K | Total K |
| **31 December 2021** | - | - | - | - | - | - | |
| Lease payments | 94,152 | - | - | - | - | - | 94,152 |
| Finance charges | 701 | - | - | - | - | - | 701 |
| **Net present values** | 93451 | - | - | - | - | - | 93,451 |
| | | | | | | | |
| **31 December 2020** | - | - | - | - | - | - | |
| Lease payments | 890,021 | 123,936 | - | - | - | - | 1,013,957 |
| Finance charges | 17,960 | 3,507 | - | - | - | - | 21,467 |
| **Net present values** | 872,061 | 120,429 | - | - | - | - | 992,490 |
| Lease payments | 890,021 | 123,936 | - | - | - | - | 1,013,957 |

## 27. OTHER PAYABLES AND ACCRUED EXPENSES (CONTINUED)

### 27.3 Lease Liabilities (continued)

**Lease payments not recognised as a liability**

The Authority has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

| | 31 December 2021 K | 31 December 2020 K |
|---|---|---|
| **Short-term leases** | | |
| Leases of low value assets | 656,706 | 370,479 |
| Variable lease payments | - | - |
| **Total** | 656,706 | 370,479 |

### 27.4 Other Creditors

The other creditors include an amount of K514 million owing for the shares bought in Wonderful Ceilings Limited and the unpaid balance of K130 million relating to the acquisition of the former Society House and Central Arcades (a stake previously held by ZNBS in the Society Business Park). At the reporting date, the Authority had settled these obligations.

## 28. DEFERRED LIABILITIES

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:

| | 2021 K | 2020 K |
|---|---|---|
| At beginning of the year | 8,992,722 | 4,490,151 |
| Charge for the year | 6,427,101 | 6,401,834 |
| Paid during the year | (5,086,967) | (1,899,263) |
| At end of the year | 10,332,856 | 8,992,722 |

## 29. CONTINGENT LIABILITIES

On 10th June 2020, Government announced the Cabinet approval of the closure of the Zambia National Provident Fund member accounts through payments of benefits to all its existing members. The total benefits payments to wind down the Fund would be in excess of K4 billion. At the reporting date, the Fund had not been closed as the amendments to the enabling legislation had not been tabled before Parliament.

## 30. 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;
- Society House Development Company Limited;
- Livingstone Market and Bus Station Management Company Limited (LMBSM)
- Garden Court Hotel and
- Hilton Garden Hotel
- Zambia Industrial Commercial Bank

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

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 related parties at the end of the year are as follows:

| | 2021<br>K | 2020<br>K |
|---|---|---|
| (a) **Amounts due from subsidiaries** | | |
| Society House Development Company | 13,196,539 | 2,419,040 |
| Hilton Garden Hotel | 2,312,069 | 2,312,069 |
| Garden Court Hotel | 3,496,460 | - |
| Zambia Industrial Commercial Bank | 49,841,449 | - |
| Livingstone Market and Bus Station Management Company Limited (note 16) | 51,720,330 | 37,000,283 |
| | 120,566,847 | 41,731,392 |
| Less: impairment provision | (70,725,398) | (3,545,264) |
| | 49,841,449 | 38,186,128 |
| (b) **Amounts due to subsidiaries** | | |
| Levy Business Park Hotel Limited (Note 27) | 2,835,975 | 41,479,713 |

The amount relates to the funds from the subsidiary which the Authority was investing on its behalf. At the reporting date, the Authority had transferred the funds to the subsidiary, except for K2.8 million which is to be applied to cover dividend payments.

## 30. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Other receivables

| | 2021<br>K | 2020<br>K |
|---|---|---|
| National Road Fund Agency (note 16) | 4,515,003,288 | 3,893,146,509 |
| Impairment provision | (602,377,000) | (124,000,000) |
| | 3,912,626,288 | 3,769,146,509 |
| Recoverable from the Ministry of Labour and Social Security | 559,155 | 559,155 |
| 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 |
| | 861,509 | 861,509 |

### (d) Compensation to Trustees

The remuneration to Board and Committee members during the year was as follows:

| | 2021<br>K | 2020<br>K |
|---|---|---|
| Allowances and expenses | 2,747,470 | 3,926,773 |

### (d) Compensation of key management personnel

The remuneration to key management personnel during the year was as follows:

| | 2021<br>K | 2020<br>K |
|---|---|---|
| Salaries and allowances | 17,443,681 | 17,540,797 |
| Gratuity | 3,879,077 | - |
| Pension contributions (NAPSA) | 122,896 | 134,503 |
| | 21,445,654 | 17,675,300 |

## 31. FAIR VALUE MEASUREMENTS

### Fair value measurements of financial instruments

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.

**Table 10: Fair Value Measurements**

| Financial asset | Fair value hierarchy | Valuation techniques | 2021 K | 2020 K |
|---|---|---|---|---|
| Listed securities | Level 1 | (i) | 2,210,382,487 | 1,519,961,147 |
| Government bonds | Level 2 | (ii) | 21,576,702,407 | 16,416,232,592 |
| Treasury bills | Level 2 | (ii) | 3,078,583,052 | 1,831,737,157 |
| Other stocks and bonds | Level 2 | (ii) | 478,122,534 | 379,049,533 |

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

## 31. FAIR VALUE MEASUREMENTS (CONTINUED)

| Financial Assets | 2021 | | 2020 | |
|---|---|---|---|---|
| | Carrying Amount K | Fair Value K | Carrying Amount K | Fair Value K |
| **Loans and receivables** | | | | |
| Loans and advances | 7,433,920,298 | 7,433,920,298 | 6,560,075,124 | 6,560,075,124 |
| Contribution receivables | 707,212,615 | 707,212,615 | 452,145,190 | 452,145,190 |
| Bank and cash balances | 915,152,473 | 915,152,473 | 822,340,943 | 822,340,943 |
| Other receivables* | 8,688,705 | 8,688,705 | 16,923,374 | 16,923,374 |
| Employee receivables | 7,534,176 | 7,534,176 | 5,398,653 | 5,398,653 |
| | 9,072,508,267 | 9,072,508,267 | 7,856,883,284 | 7,856,883,284 |

At 31 December 2021, the Authority did not have financial liabilities measured at fair value (2020: nil)

## 31. FAIR VALUE MEASUREMENTS (CONTINUED)

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

| | Fair value hierarchy as at 31 December 2021 | | | |
|---|---|---|---|---|
| | Level 1 K | Level 2 K | Level 3 K | Total K |
| **Financial assets** | | | | |
| Government securities | - | 24,655,285,459 | - | 24,655,285,459 |
| Other securities | - | 478,122,534 | 9,886,845,393 | 10,364,967,927 |
| Equity Investments | 2,210,382,487 | - | 1,845,046,405 | 4,055,428,892 |
| Loans and advances | - | - | 7,433,920,298 | 7,433,920,298 |
| Bank and cash balances | - | - | 915,152,473 | 915,152,473 |
| Contributions receivables | - | - | 707,212,615 | 707,212,615 |
| Other receivables* | - | - | 8,688,705 | 8,688,705 |
| Employee receivables | - | - | 7,534,176 | 7,534,176 |
| **Total** | 2,210,382,487 | 25,133,407,993 | 20,804,400,065 | 48,148,190,545 |

| | Fair value hierarchy as at 31 December 2020 | | | |
|---|---|---|---|---|
| | Level 1 K | Level 2 K | Level 3 K | Total K |
| **Financial assets** | | | | |
| Government securities | - | 18,247,969,749 | - | 18,247,969,749 |
| Other securities | - | 379,049,533 | 6,384,372,028 | 6,763,421,561 |
| Equity Investments | 1,519,961,147 | - | 1,558,902,577 | 3,078,863,724 |
| Loans and advances | - | - | 6,560,075,124 | 6,560,075,124 |
| Bank and cash balances | - | - | 822,340,943 | 822,340,943 |
| Contributions receivables | - | - | 452,145,190 | 452,145,190 |
| Other receivables* | - | - | 16,923,374 | 16,923,374 |
| Employee receivables | - | - | 5,398,653 | 5,398,653 |
| **Total** | 1,519,961,147 | 18,627,019,282 | 15,800,157,889 | 35,947,138,318 |

## 32. 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.

### 32.1 Market risk

#### (i) Fair value interest rate risk

The Authority's interest-bearing assets are mostly at fixed rate (fixed term deposits, treasury bills and Government bonds). Few other assets including Infrastructure Debt instrument and medium-term notes are at rates benchmarked to the yield rates for Government securities. Movements in yield rates for GRZ securities expose the Authority to interest rate risks.

#### (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.

At 31 December 2021, if the market prices had strengthened by 10%, increase in net assets for the year would have been K221,038,249 higher (2020: K151,996,115) mainly as a result of equity investments.

At 31 December 2021, if the market prices had weakened by 10%, decrease in net assets for the year would have been K221,038,249 lower (2020: K151,996,115) mainly as a result of equity investments.

### 32.2 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.

## 32 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.2 Credit risk (continued)

The Authority's maximum exposure to credit risk at 31 December 2021 is as follows:

| | 2021<br>K | 2020<br>K |
|---|---|---|
| Government securities (note 13) | 24,655,285,459 | 18,247,969,749 |
| Fixed term deposits (note 14) | 9,879,329,477 | 6,384,372,028 |
| Equity investments (note 15) | 4,055,428,892 | 3,078,863,724 |
| Other receivables (note 21) | 491,409,467 | 353,342,444 |
| Cash and cash equivalents (note 19) | 915,152,473 | 822,340,943 |
| Other bonds (note 14) | 478,122,533 | 379,049,533 |
| | 40,474,728,301 | 29,265,938,421 |

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) and advances to subsidiaries included within other receivables:

| | 2021<br>K | 2020<br>K |
|---|---|---|
| Debtors | 198,507,652 | 168,551,653 |
| Provision for bad debts | (198,507,652) | (168,546,591) |
| | - | 5,062 |

### 32.3 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 flows.

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 reporting date to the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not considered significant.

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 32.3 Liquidity risk (continued)

| At 31 December 2021 | Less than 1 year K | Between 1 and 2 years K | Total K |
|---|---|---|---|
| Other payables and accrued expenses | 472,686,638 | - | 472,686,638 |
| Deferred liabilities | 8,332,315 | 2,000,541 | 10,332,856 |
| | 481,018,953 | 2,000,541 | 483,019,494 |
| **At 31 December 2020** | | | |
| Other payables and accrued expenses | 971,988,697 | - | 971,988,697 |
| Deferred liabilities | 2,196,260 | 6,796,462 | 8,992,722 |
| | 974,184,957 | 6,796,462 | 980,981,419 |

## 33. COMPARATIVES

Comparatives figures are reclassified in order to have meaningful comparison with the current year.

## 34. EFFECTS OF COVID 19

As a result of Covid 19 and its associated effects on entities throughout the world, NAPSA has been equally affected negatively due to the slowdown in the economy. Management anticipates a significant improvement in operations as the economy begins to improve later in 2022 or beyond.

The resurgence of Covid 19 in 2021 impacted negatively on the operations of NAPSA, particularly the real estate investments. The operational costs for shopping malls increased owing to the measures taken by Management to contain the spread of the pandemic. Significantly, Government required all public places, especially trading areas, to comply with the health protocols as announced by the Ministry of Health in a drive to fight off the pandemic. Some tenants worst hit by Covid 19, vacated the NAPSA buildings and could not be replaced. The decline in occupancy rate had an adverse impact on the income yield for real estate investments. The adverse effects of Covid 19 also manifested in other areas of operations, including rising costs of internet for tele commuting, personal protective equipment (PPE) for staff and chemicals to contain the pandemic, etc.

## 35. EVENTS AFTER THE REPORTING DATE

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

NATIONAL PENSION SCHEME AUTHORITY

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021<br>K | 2020<br>K | 2019<br>K | 2018<br>K | 2017<br>K |
|---|---|---|---|---|---|
| Contributions receivable from Members | 5,200,881,575 | 4,078,526,334 | 4,260,318,932 | 3,473,600,842 | 3,270,016,159 |
| Benefit claims and refunds | (478,709,081) | (444,816,073) | (422,974,840) | (262,943,223) | (261,466,666) |
| Normal retirement pensions | (479,923,380) | (410,278,233) | (336,073,825) | (284,500,827) | (243,855,679) |
| ZNPF payments | (394,184,974) | (458,863,459) | (413,795,786) | (312,160,017) | (201,796,855) |
| | 3,848,064,140 | 2,764,568,569 | 3,087,474,481 | 2,613,996,775 | 2,562,896,959 |
| **Investment operations:** | | | | | |
| Investment revenue | | | | | |
| - Interest on Government bonds | 4,504,461,935 | 4,370,139,888 | 2,766,231,712 | 2,282,046,749 | 1,542,095,489 |
| - Interest on treasury bills | 392,630,350 | 473,075,251 | 332,105,389 | 199,658,188 | 765,550,895 |
| - Interest on term deposits | 1,270,290,972 | 1,303,456,873 | 1,038,040,307 | 541,520,478 | 690,471,265 |
| - Infrastructure loans | 1,525,879,733 | 1,172,836,621 | 483,889,611 | 386,977,334 | 73,822,714 |
| - SHDCL loans | - | 354,262,073 | 299,275,880 | 180,514,181 | 167,521,142 |
| - Rental income | (6,017,415) | (6,594,866) | 45,175,791 | 54,634,061 | 42,257,290 |
| - Dividend income | 92,288,867 | 52,434,422 | 29,129,738 | 53,362,167 | 28,216,686 |
| - Other investments | 83,785,142 | 63,633,994 | 31,430,610 | 32,068,778 | 47,989,903 |
| Loss on sale of properties | (29,000) | - | - | - | - |
| Handling fees | (33,924,205) | (29,051,797) | (17,954,890) | (31,836,394) | (31,990,273) |
| Revaluation of equity | 698,478,312 | 213,085,154 | (191,302,471) | (266,960,769) | 165,734,879 |
| Surplus on revaluation of investments properties | (1,739,979) | 368,979,221 | 3,490,894 | (3,857,245) | - |
| Surplus on revaluation of financial assets | 4,116,638,227 | (193,060,388) | (123,866,142) | (1,908,566,543) | 55,182,942 |
| Impairment on loan and advances | (563,151,558) | (795,416,747) | (322,087,660) | (550,484,046) | - |
| Impairment on stocks and bonds | (3,600,000) | (10,800,000) | 1,100,000 | (1,900,000) | - |
| Impairment on housing inventory | (3,269,954) | (1,184,471) | (3,122,536) | (29,878,580) | (26,953,294) |
| Recovery of impairment loss on fixed term deposits | 5,243,313 | - | (6,293,955) | - | - |
| Doubtful debts provision | (29,961,061) | (2,463,334) | (29,857,509) | (3,920,897) | (26,164,069) |
| | 12,048,003,679 | 7,333,331,894 | 4,335,384,769 | 933,377,462 | 3,493,735,569 |
| **Other operating income:** | | | | | |
| - Exchange gains/(losses) | (1,068,354,041) | 334,868,648 | (633,209) | 1,156,000 | (13,755,625) |
| - Gain/(loss) on disposal of plant and equipment | 577,881 | 1,384,430 | (1,275,659) | (8,301) | 700,552 |
| | (1,067,776,160) | 336,253,078 | (1,908,868) | 1,147,699 | (13,055,073) |
| **Management expenses:** | | | | | |
| - Employee benefit expenses | (400,381,424) | (369,332,624) | (300,361,655) | (288,511,230) | (241,839,973) |
| - Administration expenses | (230,965,413) | (196,625,834) | (182,259,605) | (143,688,141) | (140,642,601) |
| - Pension cost | (26,237,284) | (24,353,707) | (20,056,936) | (18,003,795) | (16,423,057) |
| - Depreciation | (41,438,771) | (63,546,705) | (87,243,811) | (20,229,903) | (15,565,150) |
| | (699,022,892) | (653,858,870) | (589,922,007) | (470,433,069) | (414,470,781) |
| Surplus of income over expenditure before finance costs and taxation | 14,129,268,767 | 9,780,294,671 | 6,831,028,375 | 3,078,088,867 | 5,629,106,673 |
| Surplus of income over expenditure/ for year before taxation | 14,129,268,767 | 9,780,294,671 | 6,831,028,375 | 3,078,088,867 | 5,629,106,673 |
| Income tax expense | (528,570,851) | (516,176,483 | (384,553,212 | (227,495,052) | (266,571,052) |
| Surplus of income over expenditure after tax | 13,600,697,916 | 9,264,118,188 | 6,446,475,163 | 2,850,593,815 | 5,362,535,622 |

## NATIONAL PENSION SCHEME AUTHORITY

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **ASSETS** | K | K | K | K | K |
| Bank and cash balances | 915,152,473 | 822,340,943 | 869,493,470 | 229,146,966 | 139,061,494 |
| Government and other securities | 39,068,166,361 | 28,090,255,034 | 23,335,403,223 | 18,940,562,164 | 16,714,573,820 |
| Loans and advances | 7,433,920,298 | 6,560,075,124 | 3,704,226,338 | 2,911,511,763 | 2,526,255,589 |
| Employee receivables | 7,534,176 | 5,398,653 | 3,262,008 | 3,309,467 | 6,386,842 |
| Members' contributions receivables | 707,212,615 | 452,145,190 | 664,612,068 | 236,917,406 | 689,891,011 |
| Other receivables | 491,409,467 | 353,342,444 | 149,805,718 | 131,506,290 | 99,349,618 |
| Inventory | 3,129,992 | 3,615,617 | 1,568,909 | 1,322,079 | 1,858,115 |
| Inventory investments | 66,249,396 | 138,753,801 | 157,799,941 | 218,924,145 | 305,979,093 |
| Investment properties | 6,228,560,023 | 5,530,397,735 | 3,063,930,410 | 2,764,727,008 | 2,314,784,595 |
| Property, plant and equipment | 262,635,274 | 114,896,198 | 129,847,878 | 156,495,882 | 149,017,484 |
| TOTAL ASSETS | 55,183,970,075 | 42,071,220,739 | 32,079,949,963 | 25,594,423,170 | 22,947,157,661 |
| LIABILITIES | | | | | |
| Other payables and accruals | 472,686,638 | 971,988,697 | 271,140,277 | 253,484,982 | 392,062,073 |
| Claims payable | 25,654,536 | 32,151,600 | 7,286,600 | 7,286,600 | 13,037,136 |
| Deferred liabilities | 10,332,856 | 8,992,722 | 4,490,151 | 8,278,173 | 6,986,737 |
| Current tax liabilities | 114,688,997 | 98,178,587 | 101,241,991 | 76,057,634 | 136,349,749 |
| | 623,363,027 | 1,111,311,607 | 384,159,019 | 345,107,389 | 548,435,695 |
| **TOTAL ASSETS LESS LIABILITIES** | 54,560,607,048 | 40,959,909,132 | 31,695,790,944 | 25,249,315,781 | 22,398,721,966 |
| **ACCUMULATED FUNDS** | 54,560,607,048 | 40,959,909,132 | 31,695,790,944 | 25,249,315,781 | 22,398,721,966 |