NATIONAL PENSION SCHEME AUTHORITY

NAPSA

NATIONAL PENSION SCHEME AUTHORITY

Guaranteed Social Protection



REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013



NATIONAL PENSION SCHEME AUTHORITY

Guaranteed Social Protection

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

VISION STATEMENT

To be the model social security institution in Africa.

MISSION STATEMENT

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

VALUE STATEMENT

Responsibility

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

Customer Service

We are committed to the provision of service with excellence.

Integrity

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

Professionalism

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

Leadership

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

Corporate Citizenship

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

WHERE WE ARE



Area/Station	Contact Number
Lusaka	+260-1-221677
Kafue	+260-1-311555
Kabwe	+260-5-221379/+260-5-223129
Mkushi	+260-5-362091
Ndola	+260-2-610849
Luanshya	+260-2-512252
Kitwe	+260-2-224009/+260-2-223361
Mufulira	+260-2-411078/+260-2-411654
Chingola	+260-2-311823/+260-2-312839
Solwezi	+260-8-821576/+260-8-821342
Zambezi	+260-8-371105
Mansa	+260-2-821236
Kawambwa	+260-2-960053
Kasama	+260-4-221324
Mbala	+260-4-450457
Mpika	+260-4-370370
Chipata	+260-6-223427
Petauke	+260-6-371123
Mongu	+260-7-221128/+260-7-221415
Mazabuka	+260-3-230212/+260-3-230345
Monze	+260-3-250533/+260-3-250222
Choma	+260-3-220786
Livingstone	+260-3-322145/+260-3-321074

NATIONAL PENSION SCHEME AUTHORITY

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2013

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NATIONAL PENSION SCHEME AUTHORITY

Report of The Board of Trustees for the year ended 31 December 2013

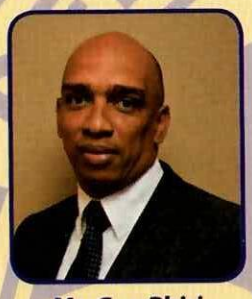
Board of Trustees



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



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



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



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



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



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



Mr. Andrew Chisala
(Employers' representative)
Member



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



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



Mrs. Lusa Pellama Mulanda
(Workers' representative)
Member



Mr. David Chewe
(Bankers Association of Zambia representative) Member
Retired 16 June, 2013

NATIONAL PENSION SCHEME AUTHORITY

Report of The Board of Trustees for the year ended 31 December 2013

Senior Management



Mr. Charles Mpundu
Director General



Mrs. Kapambwe Doreen Chiwele
Director Finance



Mrs. Mutinta Mulonda
Authority Secretary
Retired 30 September, 2013



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



Mr. Yollard Kachinda
Director Contributions & Benefits



Mr. Joseph Ngosa
Director Investments
Retired 30 June, 2013



Mr. David Chewe
Director Investments
Appointed 12 August, 2013



Mrs. Chishala K. Tembo
Director Projects



Mrs. Betty C. Meleki
Director Human Resource
& Administration



Dr. Ceylon Mudenda
Director Northern Region
Retired 13 November 2013



Mr. Lloyd Chembo
Director Southern Region
Retired 13 November 2013

NATIONAL PENSION SCHEME AUTHORITY

REPORT AND FINANCIAL STATEMENTS (CONTINUED)

PROFESSIONAL ADVISORS

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

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES

The Trustees of the National Pension Scheme present their report for the year ended 31 December 2013, together with the Independent Auditor's Report, and Financial Statements.

1.0 Introduction

1.1 Mandate

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

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

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

1.2 Trustees

Under the provisions of The Act, the members of the Authority are the Trustees of The Scheme and are appointed by the line Minister in accordance with the provisions of The Act. Subject to these provisions, a Trustee shall hold office for a period of three years from the date of appointment and may be re-appointed for a like period. The Trustees who held office in 2013 are listed on page 1.

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

In accordance with prudential principles therefore, the Board of Trustees assume overall responsibility for internal controls, risk management, the maintenance of adequate accounting records and the safeguard of the scheme assets, as outlined in the Statement of Responsibility on page 14.

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 2013, the Trustees met at least once in each quarter.

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

2 Operational Highlights for the year 2013

2.1 Role in the National economy

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

2.2 Pension Scheme

2.2.1 The Authority's net assets available for benefits at 31 December 2013 increased overall from K6.2 billion at 31 December 2012 to K8 billion at 31 December 2013. The Authority therefore recorded overall positive performance on increase in net assets for the year, which was also just above budget by 1%. The positive performance in 2013 is mainly attributable to:

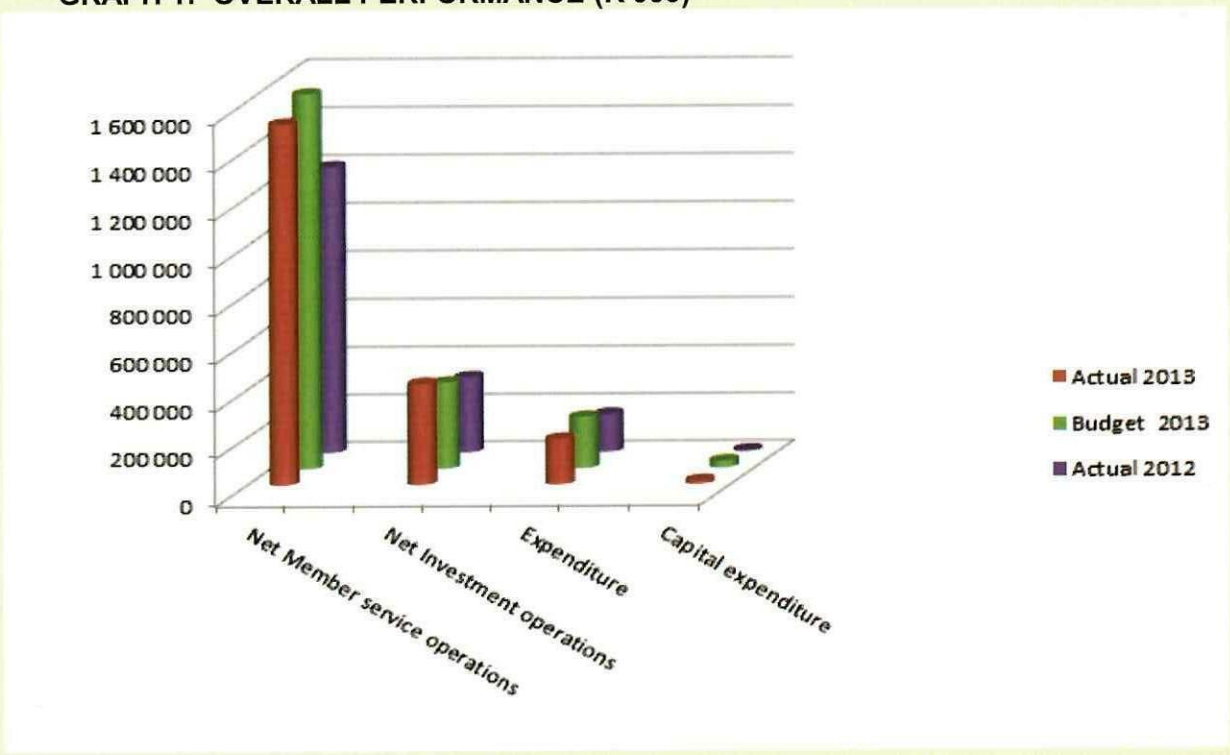
i. Contribution collections of K1.8 billion, an annual increase of 28%.

ii. Positive performance on investments, at 21% above budget and 46% above the 2012 year end results;

ii. Control on administrative expenditure, which was 11% below budget.

The overall performance is highlighted in the graph below:

GRAPH 1: OVERALL PERFORMANCE (K'000)



NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

2 Operational Highlights for the year 2013 (Continued)

2.3 Member Service Operations

2.3.1 The Scheme collected K1.8 billion in contributions, an annual increase of 28% from the 2012 figure of K1.4 billion. The increase is a reflection of a number of factors, such as growth in the national economy, increase in the National Average Earnings, and increase in the contribution ceiling. The contribution rate remained at 10 % of the employee's gross wages up to the monthly ceiling of K1,339.3, shared equally at 5% each between the employer and the employee.

2.3.2 The annual trends in both contributions and benefits paid are highlighted below in Tables 1 and 2.

Table 1:

Contributions trend	2013	2012	2011	2010	2009
Number of active employers	14 669	13 972	13 000	12 227	11 768
Number of Active members	620 132	596 244	546 693	499 338	455 362
Monthly average collection	146	115.5	85.7	67.2	49.6

Table 2:
Kwacha

Benefits trend	2013	2012	2011	2010	2009
Funeral grant	6 696	5 870	5 383	4 347	3 915
Minimum Pension	670	587	538	435	391
Highest Pension	2 891	2 534	2 304	1 877	1 516
Average monthly pension	868	758	688	556	499
Highest Lump sum	185 983	155 850	99 109	94 519	67 020
Number of pensioners	10 083	7 932	5 970	4 279	2 748

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

2 Operational Highlights for the year 2013 (Continued)

2.4 Investments

2.4.1 The Scheme recorded a positive variance of K142 million on net interest income, 32% above 2012 performance. The favorable performance was mainly due to a number of factors including the following:

i Fresh funds of K1.4 billion, in excess of the budget figure of K1billion;

ii the deferring of some new construction projects (total of about K70 million) for various reasons such as prolonged bureaucratic procedures in securing land rights. The related funds were consequently re-directed to treasury activities;

iii improved pricing in the market, with an average of 8% yield in the latter half of the year compared to 6% in the first half;

iv non-application of medical levy on fixed term deposits, following change in Government policy; and

v re-alignment of investment strategy.

2.4.2 The Investment portfolio held at the end of the year 2013 is shown in Table 3 below.

Table 3:
(Kwacha Millions)

Net Investments	2013 Net Investments	2013 % of total portfolio	2012 Net Investments	2012 % of total portfolio
Government securities	3 441	44%	2 588	44%
Other securities	1 760	22%	1 129	19%
Investment properties	1 015	13%	1 006	17%
Shares in listed corporations	693	9%	366	6%
Housing inventory	567	7%	532	9%
Loans and advances	363	5%	287	5%
Total	7 840	100%	5 909	100%

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

2 Operational Highlights for the year 2013 (Continued)

2.4 Investments (Continued)

2.4.3 The notable projects by the Authority, included in appropriate categories under Table 3, are highlighted under Table 4 below:

Table 4:
(Kwacha Millions)

Projects in progress	Type	Location	Cost as at 31 December 2013
Re-development of Society House	Hotel, retail and offices	Lusaka	359
Nyumba Yanga Housing	Housing units	Lusaka	183
Kalulushi Housing	Housing units	Kalulushi	272
North Gate Gardens	Housing units	Lusaka	131
Total			**945**

2.5 Provident Fund

2.5.1 The Provident Fund is a depleting scheme with no inflow of fresh funds from contributions. As a consequence, the Fund has in recent years recorded a decrease in net assets held, as well as liquidity challenges. This has necessitated in interventions by the Pension Scheme to assist the Fund meet its obligations such as benefit payments to members who contributed to the now repealed ZNPF. As at 31 December 2013, the net amount owed to NAPSA was K94.4 million.

2.5.2 The Fund recorded an overall increase of K85 million in Net Assets Available For Benefits, moving from K110 million at 31 December 2012 to K194 million at 31 December, 2013. As the increase is attributable to the revaluation of ZNPF properties held at year-end, with revaluation gains of K114 million, it did not impact liquidity.

2.5.3 Notably, the long term loan balance of K27 million carried by the Fund was liquidated through a debt swap with Government. The loan at initial principal amount of USD5 million, was obtained in 2000 from the World Bank to finance retrenchment following the transformation from ZNPF to NAPSA.

2.5.4 The Authority also pays benefits under the repealed Zambia National Provident Fund Act of 1966. In 2013, K68 million was paid out in benefit claims compared to K63 million in 2012, representing an increase of 8%.

2.5.5 The Fund recorded K10 million in management expenses, 27% less than the budget amount of K14 million.

2.5.6 The Fund recorded rental income of K14 million, but did not record interest income as its active financial assets were liquidated in the year in order to settle some outstanding obligations and member liabilities. At 31 December, 2013 the investment portfolio stood as shown under Table 5 on page 9:

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

2 Operational Highlights for the year 2013 (Continued)

2.5 Provident Fund (Continued)

Table 5:

(Kwacha Millions)

Net Investments	2013 Net Investments	2013 % of total portfolio	2012 Net Investments	2012 % of total portfolio
Investment properties	298	100.0%	184	62%
Shares in listed corporations	-	0%	94	32%
Other securities*	-	0%	17	6%
Total	298	100%	294	100%

***Full provision made for the cumulative balances in this category**

3.0 Staff establishment

3.1 The approved establishment as at 31 December 2013 and 2012 is shown in Table 6 below.

Table 6 (Staff establishment)

	2013	2012
Approved staff establishment	**397**	399
Actual numbers	**381**	381

4.0 Social responsibility

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

5.0 Statement on Corporate Governance

5.1 NAPSA subscribes to the tenets of good corporate governance. The Authority has in place structures and procedures to ensure that the decision making process, governance and administration of the institution are all in accord with good corporate governance practices.

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

5.0 Statement on Corporate Governance (Continued)

5.2 During the period under review, the Board of Trustees met eleven times in the year and also undertook three local tours of the Authority's projects.

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

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

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

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

6.0 Committees

6.1 Audit, Risk and Compliance Committee

6.1.1 The Audit Committee is composed of the following Members:

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

6.1.2 In the year 2013, the Committee met five times to consider audit, risk and compliance matters and make appropriate recommendations to the Authority. This included the establishment of a risk management unit in the latter part of 2013.

6.2 Finance & Investments Committee

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

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

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

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

6.0 Committees (Continued)

6.2 Finance & Investments Committee (Continued)

6.2.2 In the year 2013, the Committee met six times to review financial performance, consider investment proposals, make investment decisions and propose appropriate recommendations to the Authority.

6.3 Technical Committee

6.3.1 The Technical Committee is composed of the following Members:

i. Mrs. Michelo Silungwe (Chairperson)
ii. Mr. Trevor Kaunda
iii. Dr. Velepi Mtonga*

6.3.2 In the year 2013, the Committee met four times to consider matters relating to member service operations and make appropriate recommendations to the Authority.

6.4 Staff Affairs Committee

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

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

6.4.2 In the year 2013, the Committee met six times to consider matters pertaining to staff and make appropriate recommendations to the Authority.

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

6.0 Committees (Continued)

6.5 Attendance of meetings

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

Trustees and Committee Members: Attendance of Scheduled Meetings

	Board meetings		Committee meetings	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr. Joseph Chikolwa	11	10		
Finance and Investments Committee				
Mr. Guy Phiri	11	11	6	6
Mr. Trevor Kaunda	11	11	6	5
Mr. David Chewe	11	9	6	2
Mr. Katema Mutale	*		6	4
Ms. Kutemba Konga	*		6	6
Audit Committee				
Mr. Chishimba B Yumbe	11	11	5	5
Ms. Monde F. Sitwala	11	7	5	4
Ms. Susan Wambulawae	*		5	4
Mr. Ronald Chibesakunda	*		5	5
Staff Committee				
Mr. Andrew Chisala	11	11	6	6
Mr. Peter Bwalya Chupa	11	11	6	6
Ms. Lusa A Pellama Mulanda	11	11	6	6
Ms. Penelope Mapoma	*		6	6
Technical Committee				
Ms. Michello Silungwe	11	9	4	4
Mr. Trevor Kaunda	11	11	4	4
Dr. Velepi Mtonga			4	4

* Not applicable

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES (CONTINUED)

7.0 Senior management

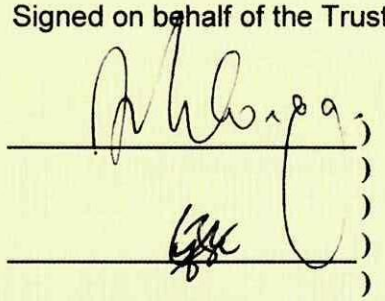
7.1 The Board of Trustees has within the provisions of The Act delegated the day-to-day administration of the scheme to the Director General, who is the Chief Executive Officer of the Authority.

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

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

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

Signed on behalf of the Trustees by:



NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

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

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

In preparing the financial statements the Trustees are required to:

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

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

The Trustees are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, Messrs Deloitte & Touche, have audited the annual financial statements and their report appears on pages 15 and 16.

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 period 1 January 2013 to 31 December 2013 and its financial position as at that date, and have been prepared in accordance with International Financial Reporting Standards and in the manner required by the National Pension Scheme Act, No. 40 of 1996.

Signed on behalf of the Trustees by:

) TRUSTEES

Deloitte.

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Lusaka
Zambia

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
National Pension Scheme Authority

We have audited the financial statements of National Pension Scheme Authority comprising of the Pension Scheme and Provident Fund, set out on pages 17 to 55, which comprise the statement of net assets available for benefits as at 31 December 2013, and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the National Pension Scheme Act No. 40 of 1996, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Pension Scheme Authority as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the National Pension Scheme Act, 1996.

Report on other legal and regulatory requirements

Section 44(2) of the National Pension Scheme Act, 1996, requires that the Scheme's actuarial obligation is assessed every three years by an Independent Actuary. However as disclosed in Note 5 to the financial statement the last actuarial valuation by an Independent Actuary for the Scheme was carried out as at 31 December 2008, some five years ago. The Authority has engaged an Actuary to evaluate the Pension Scheme as at 31 December 2012 and the valuation is in progress and yet to be finalised. Accordingly, the Authority has not complied with the requirements of the Act.

Deloitte & Touche

DELOITTE & TOUCHE

DATE: 20 JUNE 2014

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended 31 December 2013

Kwacha	NOTES	Pension Scheme 2013	Pension Scheme 2012	Provident Fund 2013	Provident Fund 2012
Net assets available at beginning of the year		**6 213 177 002**	4 863 872 350	**109 666 083**	190 637 086
Member service operations:					
Contributions receivable from members	25	**1 758 658 393**	1 385 905 733	**-**	-
Pension claims and withdrawals	9	**(120 765 222)**	(104 927 461)	**(67 870 963)**	(63 025 898)
Normal retirement pensions		**(120 079 783)**	(79 153 514)	**-**	-
Maternity and funeral grants		**(6 824 803)**	(6 380 902)	**(181 167)**	(108 475)
		1 510 988 585	1 195 443 856	**(68 052 130)**	(63 134 373)
Investment operations:					
Interest income		**584 180 176**	441 515 534	**578 209**	4 337 273
Rental income	18	**24 518 488**	23 843 432	**14 068 507**	14 131 463
Dividend income		**23 123 599**	17 025 969	**-**	3 128 920
Sundry income		**554 880**	199 165	**-**	9 556
Management fees recoverable from ZNPF		**1 049 215**	2 468 913	**-**	-
Handling fees		**(13 699 520)**	(8 852 842)	**-**	-
Medical levy		**(1 102 526)**	(5 766 671)	**(141)**	(51 543)
Net exchange gains (losses)		**379 397**	(322 299)	**(322 293)**	(356 517)
Provision on bad debts	16	**(28 264 702)**	-	**(2 717 861)**	(6 811 148)
Changes in fair value of investment property	18	**-**	-	**114 374 184**	-
Changes in fair value of Government securities	11	**(285 839 370)**	(75 721 059)	**-**	-
Changes in fair value of listed shares	13	**185 660 894**	(24 230 394)	**37 174 420**	(18 988 339)
		490 560 531	370 159 748	**163 155 025**	(4 600 335)
Management expenses:					
Employee benefit expenses		**(121 317 724)**	(107 982 072)	**-**	-
Administration expenses		**(60 314 000)**	(42 805 723)	**(9 035 183)**	(10 238 665)
Depreciation expense	19	**(6 014 603)**	(6 012 902)	**-**	-
Pension costs		**(7 337 159)**	(6 590 427)	**-**	-
Interest expense		**-**	-	**-**	(568 066)
Management fees payable to NAPSA		**-**	-	**(1 049 215)**	(2 468 913)
Rental charges payable to ZNPF		**(1 435 000)**	(1 435 000)	**-**	-
Gain on disposal of plant and equipment		**265 014**	671 203	**-**	240 684
		(196 153 472)	(164 154 921)	**(10 084 398)**	(13 034 960)
Income tax expense	6	**(62 597 627)**	(52 144 031)	**-**	(201 335)
Increase (decrease) in net assets		**1 742 798 017**	1 349 304 652	**85 018 497**	(80 971 003)
Net assets available at end of the year		**7 955 975 019**	6 213 177 002	**194 684 580**	109 666 083

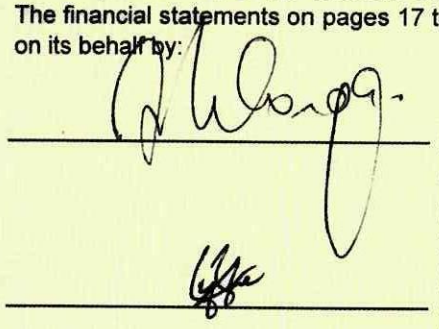
NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
for the year ended 31 December 2013

Kwacha

	NOTES	Pension Scheme		Provident Fund	
		2013	2012	**2013**	2012
NET ASSETS		**7 955 975 019**	6 213 177 002	**194 684 580**	109 666 083
Represented by:					
ASSETS					
Investments					
Government securities	11	**3 441 317 693**	2 587 829 293	**-**	-
Other securities	12	**1 760 069 911**	1 129 123 622	**-**	16 862 231
Equity Investments	13	**692 919 267**	366 383 620	**45 050**	93 817 308
Loans and advances	14	**363 341 144**	287 094 616	**23 744**	23 755
Investment properties	18	**1 015 489 577**	1 006 088 073	**298 125 028**	183 510 675
Housing inventory	17	**567 021 633**	532 134 524	**-**	-
		7 840 159 225	5 908 653 748	**298 193 822**	294 213 969
Other assets					
Bank and cash balances		**87 589 309**	217 693 045	**60 254 974**	5 555 667
Contributions receivables	25	**97 897 173**	67 566 058	**-**	-
Sundry inventory	17	**1 051 739**	239 077	**-**	-
Other receivables	16	**25 472 426**	19 261 563	**424 051**	2 515 367
Employee receivables	15	**4 689 019**	3 777 214	**-**	-
Current account with ZNPF		**94 407 111**	102 934 550	**-**	-
Property and equipment	19	**24 166 328**	16 734 700	**-**	-
		335 273 105	428 206 207	**60 679 025**	8 071 034
TOTAL ASSETS		**8 175 432 330**	6 336 859 955	**358 872 847**	302 285 003
LIABILITIES					
Current account with NAPSA		**-**	-	**(94 407 111)**	(102 934 550)
Income tax liabilities	6	**(25 450 967)**	(20 217 719)	**-**	-
Other payables and accruals	21	**(166 095 613)**	(90 527 680)	**(24 381 156)**	(19 291 182)
Deferred liabilities	22	**(2 889 031)**	(2 353 807)	**-**	-
Long term loan	23	**-**	-	**-**	(22 662 500)
Provisions for claims payable	24	**(25 021 700)**	(10 583 747)	**(45 400 000)**	(47 730 688)
TOTAL LIABILITIES		**(219 457 311)**	(123 682 953)	**(164 188 267)**	(192 618 920)
NET ASSETS		**7 955 975 019**	6 213 177 002	**194 684 580**	109 666 083

The responsibilities of the Trustees with regard to the preparation of the financial statements are set out on page 14. The financial statements on pages 17 to 55 were approved by the Board of Trustees on 19 June 2014 and were signed on its behalf by:



) **TRUSTEES**

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

Kwacha

	NOTES	Pension Scheme 2013	Pension Scheme 2012	Provident Fund 2013	Provident Fund 2012
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase (decrease) in net assets		**1 742 798 017**	1 349 304 652	**85 018 497**	(80 971 003)
Adjusted for non cash items:					
Depreciation expense	19	**6 014 603**	6 012 902	**-**	-
Income tax expense	6	**62 597 627**	52 144 031	**-**	201 334
Dividend income		**(23 123 599)**	(17 025 969)	**-**	(3 128 920)
Interest income		**(584 180 176)**	(441 515 534)	**(578 209)**	(4 337 273)
Impairment loss on receivables	16	**28 264 702**	-	**2 717 861**	6 811 148
Impairment loss on loans and advances	14	**-**	-	**23 757**	-
Gain arising in fair value of investment property	18	**-**	-	**(114 374 184)**	-
Change in fair of value of Government securities	11	**285 839 370**	75 721 059	**-**	-
Change in fair value of listed shares	13	**(185 660 894)**	24 230 394	**(37 174 420)**	18 988 339
Gain on disposal of property, plant and equipment		**(265 014)**	(671 203)	**-**	(240 684)
Operating cash inflows before movements in operating funds		**1 332 284 636**	1 048 200 332	**(64 366 698)**	(62 677 059)
Movement in operating assets and liabilities:					
Increase in Government securities		**(1 139 327 770)**	(688 755 335)	**-**	-
(Increase) decrease in other securities		**(630 946 289)**	(462 474 725)	**-**	40 357 187
(Increase) decrease in listed shares		**(140 874 753)**	(19 390 499)		2 160 930
(Increase) decrease in loans and advances		**(76 246 528)**	2 398 901	**(23 746)**	-
(Increase) decrease in employee receivables		**(911 805)**	1 221 730	**-**	-
Increase in contribution receivables		**(30 331 115)**	(8 100 796)	**-**	-
Increase in deferred liabilities		**535 224**	252 319	**-**	-
(Increase) decrease in other receivables		**(25 948 126)**	(30 072 605)	**(626 545)**	2 070 184
Increase in inventories		**(35 699 771)**	(532 239 197)	**-**	-
Increase in investment properties		**(9 401 504)**	(1 006 088 073)	**(240 169)**	(40 962 524)
Increase (decrease) in other payables and accruals		**90 005 886**	29 334 278	**(5 768 153)**	(7 537 251)
Net movement in operating assets and liabilities		**(1 999 146 551)**	(2 713 914 002)	**(6 658 613)**	(3 911 474)
Income tax paid	6	**(57 364 379)**	(49 333 760)	**-**	-
Net cash utilised in operations		**(724 226 294)**	(1 715 047 430)	**(71 025 311)**	(66 588 533)
CASH FLOWS FROM INVESTING ACTIVITIES					
Property and equipment transfer to investment properties and housing inventory	19	**-**	1 538 222 597	**-**	
Purchase of property, plant and equipment	19	**(15 763 101)**	(171 522 881)	**-**	-
Proceeds on disposal of property and equipment		**2 581 884**	1 404 817	**-**	47 357 383
Proceeds on disposal of shares		**-**	-	**147 808 909**	-
Dividends received		**23 123 599**	17 025 969	**-**	3 128 920
Interest received		**584 180 176**	441 515 534	**578 209**	4 337 273
Net cash outflows to investing activities		**594 122 558**	1 826 646 036	**148 387 118**	54 823 576
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings		**-**	-	**(22 662 500)**	-
Net cash (outflows) inflows		**(130 103 736)**	111 598 606	**54 699 307**	(11 764 957)
Cash and cash equivalents at beginning of the year		**217 693 045**	106 094 439	**5 555 667**	17 320 624
Cash and cash equivalents at end of the year		**87 589 309**	217 693 045	**60 254 974**	5 555 667

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2013

1 GENERAL INFORMATION

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

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

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

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

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

Rebasing of the Zambia currency

Effective 1 January 2013 the Government of the Republic of Zambia through the Bank of Zambia (BoZ) rebased the Zambian currency by dropping three zeros. The old and rebased currencies were in circulation until 30 June 2013, when the old currency ceased to be legal tender. Accordingly, the Authority rebased all its data maintained on the accounting package effective 1 January 2013. To allow for meaningful comparison, the comparative figures for the period to 31 December 2012 have been rebased.

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

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Authority has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The Authority has applied the amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

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

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements (Continued)

As the Authority does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

IFRS 13 *Fair Value Measurement*

The Authority has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Authority has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

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

2.2 New and revised IFRSs in issue but not yet effective

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

IFRS 9	*Financial Instruments* [2]
Amendments to IFRS 9 and IFRS 7	*Mandatory effective date of IFRS 9 and Transition Disclosures* [2]
Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities* [1]
Amendments to IAS 32	*Offsetting financial assets and financial liabilities* [1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 January 2015

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in statement of changes in net assets available for benefits.

- With regard to the measurement of financial liabilities designated as at fair value through statement of changes in net assets available for benefits, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in statement of changes in net assets available for benefits. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to statement of changes in net assets available for benefits. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through statement of changes in net assets available for benefits is presented in statement of changes in net assets available for benefits.

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

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

IFRS 9 Financial Instruments (Continued)

The Trustees anticipate that the application of IFRS 9 will have no significant impact on amounts reported in respect of the Authority's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through statement of changes in net assets available for benefits in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain Authority's from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest Authority's solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The Trustees do not anticipate that these amendments will have any effect on the Authority's financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The Trustees do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Authority's financial statements as the Authority does not have any financial assets and financial liabilities that qualify for offset.

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

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.

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

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

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

The principal accounting policies are set out below:

Going concern

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

3.3 Contribution income

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Contribution income (Continued)

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

3.4 Dividend income

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

3.5 Interest revenue

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

3.6 Inventories

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

3.7 Provisions

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

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

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

3.8 Property and equipment

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

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

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property and equipment (Continued)

Capital work in progress is not depreciated.

Management has estimated the residual values of the property and equipment at 31 December 2013 to be negligible and for purpose of the financial statements have been assigned a nil value.

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

3.9 Investment properties

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

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

3.10 Impairment of tangible assets

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

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment of tangible assets (Continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of changes in net assets available for benefits, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 Employee retirement benefits

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

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

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

3.12 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Authority's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Authority's net investment outstanding in respect of the leases.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Foreign currencies

3.13.1 Functional and presentation currency

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

3.13.2 Transactions and balances

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

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

3.14 Financial instruments

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

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

3.14.1 Loans and receivables

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

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (Continued)

3.14.2 Financial assets (Continued)

3.14.2.1 Impairment of financial assets

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

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

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

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

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

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

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Financial instruments (Continued)

3.14.2 Financial assets (Continued)

3.14.2.2 Derecognition of financial assets

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

3.14.3 Financial liabilities and equity instruments

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

3.14.4 Derecognition of financial liabilities

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

3.14.5 Fair value

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

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

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

4.1 Critical judgments in applying accounting policies

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

4.1.1 Impairment losses on loans receivable

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

4.1.2 Fair value

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

4.2 Key sources of estimation uncertainty

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

4.2.1 Recoverability of rental debtors

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

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

4.2 Key sources of estimation uncertainty (Continued)

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	8 years
Computer equipment	3 years
Motor vehicles	4 to 5 years

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

4.2.3 Claims payable

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

4.2.4 Actuarial valuation

The Authority is required to review the actuarial positions of both the Pension Scheme and Provident Fund every three years. The last valuation was performed as at 31 December 2008 and subsequent valuation is in progress as at 31 December 2012.

5 ACTUARIAL DEFICIT

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

In accordance with Section 44 (2) of the Act, the Scheme's actuarial obligation is required to be assessed on tri-annual basis by independent actuaries. The Authority engaged an Actuary to evaluate the Pension scheme as at 31 December 2012. However as the valuation is still in progress, the Authority is yet to fully comply with the requirements of Section 44(2) of the National Pension Scheme Act, 1996, which requires that the Scheme's actuarial obligation is assessed every three years by an Independent Actuary. At the last valuation as at 31 December 2008 , the actuarial valuation revealed that the present value of the Authority's obligation exceeded the fair value of the assets as follows:

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

5 ACTUARIAL DEFICIT (CONTINUED)

Pension Scheme (Kwacha Billions)	Long records	Short records
Value of benefits accrued	10.28	6.74
Assets	2.31	2.31
Deficit	(7.97)	(4.43)

Provident Fund (Kwacha Millions)	
Total liability	8.80
Assets	0.20
Deficit	-8.60

The key assumptions used were:

	%
Valuation interest rate	13
Long term inflation rate	10
Expected rate of return on scheme assets	12.2
Future salary increases	10
Future pension increases	10

The method used to calculate the present value of promised retirement benefits was based on a discount factor of 0.9441 and indexation of 10% a year.

In accordance with IAS 26 paragraph 28 b, the Authority has elected to disclose the deficit and not record it as a liability on the statement of Net Assets available for benefits.

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

*** Long records**
Where members have contributed for 180 months or more and qualify for a pension.

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

6 TAXATION

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

6 TAXATION (CONTINUED)

In the course of the year the Authority suffered **K62.6 million** (2012: K 52.1 million) in withholding tax on investment income under the Pension Scheme.

	2013	2012
Pension Scheme		
Income tax expense		
Withholding tax @ 15% on interest on TBs or Government bonds	**62 597 627**	52 144 031
Included under current liabilities (assets)		
Payable in respect of previous year	**20 217 719**	17 407 448
Payable in respect of the current year	**62 597 627**	52 144 031
	82 815 346	69 551 479
Tax paid	**(57 364 379)**	(49 333 760)
Current tax liabilities	**25 450 967**	20 217 719
Provident Fund		
Withholding tax @ 15% on interest on TBs or Government bonds	**-**	201 335
Included under current liabilities (assets)		
(Recoverable) payable in respect of previous year	**-**	362 601
Payable in respect of current year	**-**	201 335
	-	563 936
Tax due (suffered) during the year	**-**	(563 936)
Current tax liabilities	**-**	-

7 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.

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

(i) Fair value Interest rate risk

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

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

(ii) Equity market prices

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

Pension Scheme

At 31 December 2013, if the market prices had strengthened by 10%,increase in net assets for the year would have been **K67,207,759** higher (2012: K34,853,928) mainly as a result of equity investments.

At 31 December 2013, if the market prices had weakened by 10%, decrease in net assets for the year would have been **K67,207,759** lower (2012: K34,853,928.00) mainly as a result of equity investments.

Provident Fund

At 31 December 2013, if the market prices had strengthened by 10%, increase in net assets for the year would have been **K4,505** higher (2012: K9,384,106) mainly as a result of equity investments.

At 31 December 2013, if the market prices had weakened by 10%, increase in net assets for the year would have been **K4,505** lower (2012: K 9,384,106) mainly as a result of equity investments.

(iii) Foreign exchange risk

Pension Scheme

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

At 31 December 2013, if the Kwacha had strengthened/weakened by 5% against the US dollar with all other variables held constant, increase in net assets for the year would have been **K87,568,779** higher/lower (2012: K67,511,523 Dollar Bank accounts)

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

The Authority's maximum exposure to credit risk at 31 December 2013 is as follows:

	2013	2012
Pension Scheme		
Government securities (note 11)	**3 441 317 693**	2 587 829 293
Fixed term deposits (note 12)	**1 728 576 808**	1 088 047 380
Equity investments (note 13)	**675 074 922**	348 539 276
Cash and cash equivalents	**87 589 309**	217 693 045
Other bonds (note 12)	**31 493 103**	41 076 242
Other receivables (note 16)	**25 472 426**	19 261 563
	5 989 524 261	4 302 446 799

Collateral is held on certain fixed term deposits.

Provident Fund		
Fixed term deposits and other bonds (note 12)	**-**	16 862 231
Other receivables (note 16)	**424 051**	2 515 367
Equity investments (note 13)	**45 050**	93 817 308
	469 101	113 194 906

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):

	2013	2012
Past due but not impaired: over 60 days	**15 252 293**	14 579 626
Provision for bad debts	**(14 782 120)**	(12 064 259)
	470 173	2 515 367

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

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

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

	Less than 1 year	Between 1 and 2 years	Total
Pension Scheme			
At 31 December 2013			
Payables	**133 137 017**	**35 847 627**	**168 984 644**
At 31 December 2012			
Payables	82 297 740	10 583 747	92 881 487
Provident Fund			
At 31 December 2013			
Payables	**24 381 156**	**-**	**24 381 156**
At 31 December 2012			
Long term loan	-	22 662 500	22 662 500
Payables	19 291 182	-	19 291 182

Fair value measurements

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

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

7 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value measurements (Continued)

Financial assets/financial liabilities	Fair value as at 31 December 2013	Fair value as at 31 December 2012	Fair value hierarchy	Valuation technique (s) and key input (s)
1) Equity	675,074,922	348,539,276	Level 1	Quoted bid prices in an active market.
2) Government securities				Discounted cash flow: Future cash flows are estimated based on Bank of Zambia rates (from observable T\Bills & GRZ Bonds rates at the end of the reporting period) discounted at a rate that reflects the credit risk.
- Treasury bills	564,628,423	320,817,171		
- GRZ bonds	2,876,689,270	2,267,012,122		
3) Other securities			Level 2	
- Fixed term deposits	1,728,576,808	1,088,047,380		
- Other stocks & bonds	31,493,103	41,076,242		

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

FINANCIAL ASSETS	2013		2012	
Pension Scheme	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Loans and receivables				
Loans and advances	**363 341 144**	**363 341 144**	287 094 616	287 094 616
Contribution receivables	**97 897 173**	**97 897 173**	67 566 058	67 566 058
Other receivables	**30 161 445**	**30 161 445**	23 038 777	23 038 777
	491 399 762	**491 399 762**	377 699 451	377 699 451
FINANCIAL LIABILITIES				
Other payables and accruals	**166 095 613**	**166 095 613**	24 381 156	24 381 156
Deferred liabilities	**2 889 031**	**2 889 031**	-	-
	660 384 406	**660 384 406**	402 080 607	402 080 607

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

8 INVESTMENT REVENUE

Investment revenue comprises interest from Government bonds, treasury bills, bank deposits, dividends and rental income.

Investment revenue earned can be analysed by category of asset as follows:

	2013	2012
Pension Scheme		
Financial assets	**466 042 043**	346 316 316
Rental income	**24 518 488**	23 843 432
	490 560 531	370 159 748
Provident Fund		
Financial assets*	**149 086 518**	(18 731 798)
Rental income from other properties	**12 633 507**	12 696 463
Rental income from NAPSA	**1 435 000**	1 435 000
	163 155 025	(4 600 335)

* The loss on the financial asset is attributed to the fair value loss of listed shares on LuSE of K18.9 million in 2012.

9 BENEFIT CLAIMS AND REFUNDS

Pension Scheme		
Retirement refund	**26 258 476**	26 707 125
Survivors refund	**16 286 770**	13 469 636
Invalidity refund	**961 674**	49 401
Refund of contributions	**1 174 440**	537 846
	44 681 360	40 764 008
Indexed payments	**73 920 604**	60 466 292
Interest on refund	**2 163 258**	3 697 161
	76 083 862	64 163 453
	120 765 222	104 927 461

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

9 BENEFIT CLAIMS AND REFUNDS (CONTINUED)	2013	2012

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

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

Provident Fund		
Interest on benefits	**68 507 263**	59 723 274
Retirement	**(446 676)**	2 395 312
Survivors	**(117 950)**	486 311
Age	**13 516**	209 931
Disability	**(9 097)**	38 632
Home ownership	**(52 632)**	172 325
Savings	**(23 461)**	113
	67 870 963	63 025 898

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

10 NORMAL RETIREMENT PENSIONS

The normal retirement pension relates to the pension paid to Members who have qualified for a pension under the reduced criteria for those aged between 39 and 48 year at inception of the Authority on 1 February 2000.

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

10 NORMAL RETIREMENT PENSIONS (CONTINUED)

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

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

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

11 GOVERNMENT SECURITIES

	2013	2012
Pension Scheme		
Government bonds	**2 876 689 270**	2 267 012 122
Treasury bills	**564 628 423**	320 817 171
	3 441 317 693	2 587 829 293

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

11 GOVERNMENT SECURITIES (CONTINUED)	2013	2012
11.1 Government bonds		
At beginning of period	**2 267 012 122**	1 683 737 659
Investments/purchases	**1 494 395 057**	1 314 876 347
Bonds matured during the year	**(567 887 452)**	(657 214 244)
Fair value movement (due to rising interest rates)	**(316 830 457)**	(74 387 640)
	2 876 689 270	2 267 012 122
Maturity analysis:		
Pension scheme		
2 to 5 years Government bonds	**2 153 776 939**	1 851 725 096
7 to 15 years Government bonds	**722 912 332**	415 287 026
	2 876 689 271	2 267 012 122

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

11.2 Treasury bills		
At beginning of period	**320 817 171**	291 057 358
Investments/purchases	**517 569 164**	326 872 345
Fair value movement	**30 991 087**	(1 333 419)
Treasury bills matured during the year	**(304 748 999)**	(295 779 113)
	564 628 423	320 817 171

12 OTHER SECURITIES		
Pension Scheme		
Fixed term deposits	**1 728 576 808**	1 088 047 380
Other stocks and bonds	**31 493 103**	41 076 242
	1 760 069 911	1 129 123 622
Provident Fund		
Fixed term deposits	**-**	16 862 231

The investments were liquidated to cover benefit claims as it a depleting fund.

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

12 OTHER SECURITIES (CONTINUED)	2013	2012
12.1 Fixed term deposits		
Barclays Bank Zambia Plc	**242 479 059**	163 311 174
Stanbic Bank Zambia Limited	**187 230 849**	168 655 855
Zambia National Commercial Bank Plc	**184 094 607**	73 629 001
Investrust Bank Plc	**175 907 722**	33 903 827
First National Bank	**153 198 325**	116 759 651
Finance Bank Limited	**151 721 589**	96 620 354
Indo-Zambia Bank Limited	**136 385 619**	57 595 981
United Bank of Africa	**100 567 878**	65 909 198
BancABC	**80 001 837**	52 483 285
Standard Chartered Bank Zambia Plc	**79 163 485**	71 331 344
Ecobank	**76 983 085**	69 330 822
Citibank Zambia Limited	**64 489 241**	30 312 082
Access Bank Zambia Limited	**40 011 714**	36 625 453
Cavmont Capital Bank	**34 967 634**	31 123 629
International Commercial Bank	**21 374 164**	20 455 724
Union Bank Limited (In Liquidation)	**235 096**	235 096
United Bank of Zambia Limited (In Liquidation)	**80 517**	80 517
	1 728 892 421	1 088 362 993
Less: Impairment provision	**(315 613)**	(315 613)
	1 728 576 808	1 088 047 380
Provident Fund		
Commerce Bank Limited (In Liquidation)	**1 365 977**	1 365 977
First Merchant Bank Limited	**847 187**	847 187
Credit Africa Bank Limited (In Liquidation)	**793 790**	793 790
Union Bank Limited (In Liquidation)	**299 850**	299 850
Union Leasing Zambia Limited	**202 835**	202 835
Pan African Building Society	**-**	128 358
UniFinance Zambia Limited	**119 837**	119 836
Cavmont Capital Bank Limited Plc	**430**	430
BancABC	**-**	11 680 041
International Commercial Bank	**-**	5 182 192
	3 629 906	20 620 496
Less: Impairment provision	**(3 629 906)**	(3 758 265)
	-	16 862 231

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

12 OTHER SECURITIES (CONTINUED)	2013	2012
12.1 Fixed term deposits (Continued)		
Interest on fixed term deposits is receivable on maturity at varying rates between 6% and 13%. The maturity period ranges between 30 to 365 days and deposits mature on diverse dates between January 2013 and December 2013.		
12.2 Other stocks and bonds		
Pension Scheme		
Barclays Bank (Zambia) Plc ("BBZ") 7 - 12 year bond	**15 290 828**	15 292 251
Investrust Bank Plc	**16 202 275**	25 783 991
	31 493 103	41 076 242

Barclays Bank Zambia Plc ("BBZ")
7 - 12 year bond

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

Investrust Bank Plc

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

Provident Fund

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

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

13 EQUITY INVESMENTS	2013	2012
Pension Scheme		
Investments in shares listed on LuSE	**675 074 922**	348 539 276
Investment in Levy Business Park Hotel Limited	**17 844 345**	17 844 344
	692 919 267	366 383 620

Investments in shares listed on LuSE

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

At beginning of period	**348 539 276**	353 379 171
Investments/purchases	**140 874 752**	19 390 499
Fair value movement	**185 660 894**	(24 230 394)
	675 074 922	348 539 276

Investment in Levy Business Park Hotel Limited

The Authority holds 100% shareholding in Levy Business Park Hotel Limited. The Investment is initially measured at cost, including transaction costs and will subsequently be measured at fair value once certified complete.

Provident Fund

Investments in shares listed on LuSE	**45 050**	93 817 308

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

At beginning of period	**93 817 308**	112 805 647
Transfer of shares to NAPSA	**(130 946 678)**	-
Fair value movement	**37 174 420**	(18 988 339)
	45 050	93 817 308

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

13 EQUITY INVESTMENTS (CONTINUED)

	No. of shares	Share price	2013 Market Value	2012 Market Value
Pension Scheme				
Zambia Sugar Plc	**24 649 533**	**6.59**	**162 440 420**	92 080 140
Zambia National Commercial Bank Plc	**772 024 891**	**0.30**	**231 607 467**	139 736 505
Zambeef Products Plc	**8 282 171**	**3.90**	**32 300 467**	24 846 513
British Petroleum Zambia Plc	**47 494 251**	**1.28**	**60 792 641**	57 230 572
Standard Chartered Bank	**35 590 955**	**1.93**	**68 690 544**	7 980 064
Metal Fabricators of Zambia Plc	**1 089 052**	**5.00**	**5 445 260**	4 356 208
Farmers House Plc	**2 097 576**	**3.20**	**6 712 243**	7 012 197
Prima Re-Insurance	**4 281 894**	**3.00**	**12 845 485**	4 567 352
Lafarge Plc	**4 303 057**	**15.75**	**67 773 148**	4 171 068
Cavmont Capital Holdings Plc	**546 916**	**2.00**	**1 093 832**	2 461 122
Pamodzi Hotel Plc	**4 056 473**	**0.65**	**2 636 707**	2 413 601
National Breweries Plc	**1 400 000**	**10.15**	**14 210 000**	1 200 000
British American Tobacco Zambia Plc	**155 048**	**4.76**	**738 028**	248 078
African Explosives Plc	**129 703**	**6.85**	**888 465**	235 856
	9 452 074	**0.73**	**6 900 015**	-
			675 074 722	348 539 276
Provident Fund				
Zambia Sugar Plc	**-**	**-**	**-**	33 139 486
Standard Chartered Bank Zambia Plc	**-**	**-**	**-**	20 362 172
Chilanga Cement Plc	**-**	**-**	**-**	30 270 600
National Breweries Plc	**-**	**-**	**-**	10 000 000
Commerce Bank Limited (In Liquidation)	**2 157 780 000**	**1**	**2 157 780**	2 157 780
Development Bank of Zambia	**4 505**	**10 000**	**45 050**	45 050
Zambia Consumer Buying Corporation Limited (In Liquidation)	**500 000**		**2 500**	2 500
Lima Bank Limited (In Liquidation)	**500 000**	**1**	**500**	500
Kapiri Glass Products Limited (In Liquidation)	**150 000**	**1**	**150**	150
Zambia Consumer Buying				
			2 205 980	95 978 238
Less: Impairment provision			**(2 160 930)**	(2 160 930)
			45 050	93 817 308

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

14 LOANS AND ADVANCES	2013	2012
Pension Scheme		
Society House Development Company Limited	**358 589 500**	280 091 876
Zambian Lotto Limited	**4 751 644**	7 002 740
	363 341 144	287 094 616

Society House Development Company Limited

The Authority advanced funds to a subsidiary company, Society House Development Company Limited, for the development of Society House and Central Arcades. The Authority is in the process of finalising the terms of agreement for the loan.

Zambian Lotto

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

Provident Fund		
Government loans	**971 145**	947 399
Parastatal and private sector	**88 227**	88 227
Local authority loans	**7 715**	7 715
	1 067 087	1 043 341
Less: Impairment provision	**(1 043 343)**	(1 019 586)
	23 744	23 755

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

15 EMPLOYEE RECEIVABLES		
Pension Scheme		
Other staff loans	**4 943 270**	4 031 465
Bad debts provision	**(254 251)**	(254 251)
	4 689 019	3 777 214

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

16 OTHER RECEIVABLES	2013	2012
Pension Scheme		
Other receivables	**27 029 408**	18 618 526
VAT recoverable	**23 833 822**	-
Dividend receivables	**11 273**	11 273
Prepayments	**1 062 409**	1 221 868
Bad debt provision	**(26 464 486)**	(590 104)
	25 472 426	19 261 563
Movement in allowance for doubtful debts		
Balance at the beginning of year	**590 104**	590 104
Impairment losses recognised on receivables	**28 264 702**	-
Amounts recovered during the year	**(2 390 320)**	-
Balance at end of the year	**26 464 486**	590 104
Provident Fund		
Rental debtors	**15 206 171**	14 579 626
Bad debts provision	**(14 782 120)**	(12 064 259)
	424 051	2 515 367
Movement in allowance for doubtful debts		
Balance at the beginning of year	**12 064 259**	5 253 111
Impairment losses recognised on receivables	**2 717 861**	6 811 148
Balance at end of the year	**14 782 120**	12 064 259

17 INVENTORY		
Sundry inventory	**1 051 739**	239 077
Housing inventory:		
Inventory - NHA Housing	**174 122 076**	172 721 183
Inventory - Northgate Gardens	**127 812 514**	106 461 145
Inventory - Kalulushi Housing	**265 087 043**	252 952 196
	567 021 633	532 134 524

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

17 INVENTORY (CONTINUED)	2013	2012
The cost of inventories recognised as an expense during the year was **K1,354,270** (2012: K725,559). The cost of inventories recognised as an expense does not include any amounts in respect of write downs of inventory.		
The Trustees' consider that the carrying amount of inventories approximates their fair values.		

18 INVESTMENT PROPERTIES

Pension Scheme

Investment properties	**1 015 489 577**	1 006 088 073
Balance at beginning of the year	**1 006 088 073**	-
additions	**25 137 877**	-
Transfer to VAT Account*	**(15 736 373)**	
Transfer from property, plant and equipment (note 19)	**-**	1 006 088 073
Balance at end of the year	**1 015 489 577**	1 006 088 073

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

Provident Fund

Balance at beginning of the year	**183 510 675**	142 548 150
Disposals	**-**	(6 008 640)
Additions	**240 169**	46 971 165
Fair value movement	**114 374 184**	-
At end of year	**298 125 028**	183 510 675

The property rental income earned by the Authority from its investment property, all of which is leased out under operating leases, amounted to **K42,827,920** (K23,843,432 from NAPSA); ZNPF: **K14,068,507** (2012: K14,131,463).

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

18 INVESTMENT PROPERTIES (CONTINUED)

The fair value of the Authority's investment property as at 31 December 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on the respective dates by Government Valuation Department, independent valuers not related to the Authority. The Valuation Officers of the Government Valuation Department are members of the Surveyors Institute of Zambia (SIZ) and the Royal Institute of Chartered Surveyors (RICS), and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The Valuation Surveyor who carried out the valuation of the investment properties is registered to practice valuation surveying in accordance with Section 3 of the Surveyors Act, Cap 207 of the Laws of Zambia. The fair value was determined using the investment approach. This method is based on the assumption that the property is fully let at market rentals and market escalations allowing for normalised vacancies and the incurring of market related operating costs. The net normalised income is then capitalised into perpetuity using a market-related capitalisation rate to give the market value estimate.

Details of the Authority's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

Pension Scheme

	Level 1	Level 2	Level 3
As at 31 December 2013			
Investment properties*	**-**	**-**	**1 015 489 577**
As at 31 December 2012			
Investment properties	-	-	1 006 088 073
Provident Fund			
As at 31 December 2013			
Investment properties	**-**		**298 125 028**
As at 31 December 2012			
Investment properties	-		183 510 675

* The Investment properties under the Pension scheme is yet to be fully certified as completed. IAS 40 permits Investment property to be initially measured at cost, including transaction costs and subsequently measured at fair value. The Authority carries the Investment property at cost because it has not been fully certified as completed.

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

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19 PROPERTY AND EQUIPMENT

Pension Scheme	Capital Work in Progress	Motor vehicles	Office furniture, equipment and fittings	Total
Cost				
Balance at 1 January 2012	1 420 031 618	25 809 446	10 666 879	1 456 507 943
Additions	164 497 828	3 916 148	3 104 221	171 518 197
Transfer to investment property (note 18)	(1 006 088 073)	-	-	(1 006 088 073)
Transfer to housing inventory (note 17)	(532 134 524)	-	-	(532 134 524)
Transfer to VAT account*	(46 306 849)	-	-	(46 306 849)
Disposals	-	(5 787 820)	(394 045)	(6 181 865)
Balance at 31 December 2012	**-**	**23 937 774**	**13 377 055**	**37 314 829**
Additions	-	10 470 589	5 292 512	15 763 101
Disposals	-	(3 495 371)	(1 797 085)	(5 292 456)
Balance at 31 December 2013	**-**	**30 912 992**	**16 872 482**	**47 785 474**
Accumulated depreciation and impairment				
Balance at 1 January 2012	-	13 886 586	6 128 892	20 015 478
Charge for year	-	4 647 898	1 365 004	6 012 902
Eliminated on disposal	-	(4 792 267)	(655 984)	(5 448 251)
Balance at 31 December 2012	**-**	**13 742 217**	**6 837 912**	**20 580 129**
Charge for year	-	3 954 558	2 060 045	6 014 603
Eliminated on disposal	-	(2 935 669)	(39 917)	(2 975 586)
At 31 December 2013	**-**	**14 761 106**	**8 858 040**	**23 619 146**
Carrying amount				
At 31 December 2013	**-**	**16 151 886**	**8 014 442**	**24 166 328**
At 31 December 2012	-	10 195 557	6 539 143	16 734 700
Provident Fund				
Cost				
Balance at 1 January 2012	47 091 164	13 585	106 334	47 211 083
Revaluations	-	-	-	-
Disposals	(47 091 164)	(13 585)	(106 334)	(47 211 083)
Balance at 31 December 2012 and 2013	**-**	**-**	**-**	**-**
Accumulated depreciation and impairment				
Balance at 1 January 2012	-	-	93 723	93 723
Charge for year	-	-	-	-
Eliminated on disposal	-	-	(93 723)	(93 723)
Balance at 31 December 2012 and 2013	**-**	**-**	**-**	**-**

* Input VAT was initially recognised in Capital Work in Progress, and has subsequently been deemed recoverable. Accordingly, the Authority has transferred the input VAT to the VAT account.

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

		2013	2012
20	**CAPITAL COMMITMENTS**		
	As at 31 December 2013 the Authority had capital commitments of **K11.5 million** (2012: K10.5 million).		
21	**OTHER PAYABLES AND ACCRUALS**		
	Pension Scheme		
	Sundry payables	**119 766 731**	80 732 328
	Accrued expenses	**46 328 882**	4 788 406
	VAT payable	**-**	5 006 946
		166 095 613	90 527 680
	Provident Fund		
	Accrued expenses	**17 951 350**	14 853 061
	VAT payable	**6 392 955**	4 401 270
	Sundry payables	**36 851**	36 851
		24 381 156	19 291 182
22	**DEFERRED LIABILITIES**		
	Pension Scheme		
	Deferred liabilities comprise provisions for retirement benefits and other employee provisions estimated to become payable after more than one year. The movements on the account during the year were as follows:		
	At beginning of year	**2 353 807**	2 101 486
	Charge for the year	**5 815 713**	3 610 297
	Paid during the year	**(5 280 489)**	(3 357 976)
	At end of year	**2 889 031**	2 353 807
23	**LONG TERM LOAN**		
	Provident Fund		
	At beginning of year	**22 662 500**	22 356 250
	Paid during the year	**(22 662 500)**	-
	Exchange (gain)/ loss	**-**	306 250
	At end of year	**-**	22 662 500

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

23 LONG TERM LOAN (CONTINUED)

The outstanding loan of US$5 million as at 1 January 2013 was obtained from the World Bank through the Ministry of Finance and National Planning. The loan bore interest at 2.5% per annum and was payable in 24 instalments over a period of 12 years. The loan was fully repaid during the year via a debt swap with the Government through the Ministry of Finance and National Planning.

24 PROVISIONS FOR CLAIMS PAYABLE

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

25 CONTRIBUTIONS RECEIVABLE FROM MEMBERS

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

The Authority's policy requires that contribution income is accounted for on the basis of receipts from 11 January of each year to 10 January of the following year. Contribution income from 1 January to 10 January 2014 amounted to **K97,897,173** (2012: K67,566,058).

26 RETIREMENT BENEFITS

The Authority maintains a pension scheme comprising both defined benefit and defined contribution schemes, established to provide retirement benefits for its employees. The last actuarial evaluation was as at 31 December, 2010 , wherein the Scheme recorded a surplus. The Authority's contributions to the scheme for the year ended 31 December 2013 totalled **K7,337,159** (2012: K6,590,427).

Kwacha

27 RELATED PARTY TRANSACTIONS

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

- The Government;
- Members of the Board of Trustees including the Director General; and
- NAPSA Staff Pension

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

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

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

	2013	2012
a) Donations		
Pension Scheme		
During the course of the year the Authority made various donations to the Ministry of Labour and Social Security.	**47 903**	12 771
b) Amounts due from the Government		
Provident Fund		
Rental income	**1 395 079**	1 395 079
Government loans	**187 463**	662 599
Parastatal and private sector	**88 227**	187 463
Interest on Government loans	**23 746**	88 227
Local authority loans	**2 918**	2 918
	1 697 433	2 336 286

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2013

Kwacha

27 RELATED PARTY TRANSACTIONS (CONTINUED)	2013	2012

In the current year other than the rental income on investment properties occupied by Government agencies and departments and the interest income on the loans receivable from the Government, no other related party transactions occurred between the Authority the Government.

c) Compensation of Trustees

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

Member allowances and expenses	**1 885 589**	302 343

Following the dissolution of the Board in 2011, a full Board was re-constituted in December 2012.

28 CONTINGENT LIABILITIES

Other than the liability to pay pensions and other benefits there were no other contingent liabilities of the Scheme as at 31 December 2013, as all other deemed likely to crystallise have been provided for.

29 EVENTS AFTER THE REPORTING DATE

In March 2014, the Authority acquired 8,920,957 shares in ZCCM-IH, at a total cost of K260,759,573. There has been no other event subsequent to the reporting date that may require disclosure in or adjustment to the financial statements.

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX I - STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

Kwacha

	Pension Scheme		Provident Fund	
	2013	2012	**2013**	2012
Member service operations:				
Contributions receivable from Members	**1 758 658 393**	1 385 905 733	**-**	-
Benefit claims and refunds	**(127 590 025)**	(111 308 363)	**(68 052 130)**	(63 134 373)
Normal retirement pensions	**(120 079 783)**	(79 153 514)	**-**	-
	1 510 988 585	1 195 443 856	**(68 052 130)**	(63 134 373)
Investment operations:				
Investment revenue				
- Interest on Government bonds	**381 940 980**	320 359 702	**-**	599 836
- Interest on treasury bills	**36 745 876**	33 581 147	**-**	119 010
- Interest on term deposits	**159 346 649**	81 530 467	**578 209**	3 594 672
- Other investments	**5 314 182**	5 093 178	**-**	-
- Rental income	**24 518 488**	23 843 432	**14 068 507**	14 131 463
- Dividend income	**23 123 599**	17 025 969	**-**	3 128 920
Management fees	**1 049 215**	2 468 913	**-**	-
Handling fees	**(13 699 520)**	(8 852 842)	**-**	-
Medical levy	**(1 102 526)**	(5 766 671)	**(141)**	(51 543)
Surplus on revaluation of investments properties	**-**	-	**114 374 184**	-
Surplus on revaluation of financial assets	**(100 178 476)**	(99 951 453)	**37 174 420**	(18 988 339)
- Bad and doubtful debts provision	**(28 264 702)**	-	**(2 717 861)**	(5 852 078)
Interest on loans and advances	**832 488**	951041		23 755
	489 626 253	370 282 883	**163 477 318**	2 557 774
Other operating income:				
- Exchange gains (losses)	**379 398**	(322 299)	**(322 293)**	(356 517)
- Gain (loss) on disposal of plant and equipment	**265 014**	671 203	**-**	240 684
- Sundry income	**554 880**	199 165	**-**	9 556
	1 199 292	7 793 277	**(322 293)**	(106 277)
Management expenses:				
- Employee benefit expenses	**(121 317 724)**	(107 982 072)	**-**	-
- Administration expenses	**(61 749 000)**	(44 240 723)	**(10 084 398)**	(13 666 647)
- Pension cost	**(7 337 159)**	(6 590 427)		
- Depreciation	**(6 014 603)**	(6 012 902)	**-**	-
	(196 418 486)	(172 071 333)	**(10 084 398)**	(19 518 725)
Surplus of income over expenditure before finance costs and taxation	**1 805 395 644**	1 401 448 683	**85 018 497**	(80 201 602)
Interest expense	**-**		**-**	(568 066)
	1 805 395 644	1 401 448 683	**85 018 497**	(80 769 668)
Surplus of income over expenditure/ (Excess of expenditure over income) for year before taxation	**1 805 395 644**	1 401 448 683	**85 018 497**	(80 769 668)
Income tax expense	**(62 597 627)**	52 144 031	**-**	201 335
Surplus of income over expenditure (excess of expenditure over income) after tax	**1 742 798 017**	1 349 304 652	**85 018 497**	(80 971 003)

The appendices on pages 56 to 60 do not form part of the financial statements.

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX II - STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2013

Kwacha

	Pension Scheme		Provident Fund	
	2013	2012	**2013**	2012
ASSETS				
Bank and cash balances	**87 589 309**	217 693 045	**60 254 975**	5 555 667
Financial assets	**5 876 462 526**	4 065 492 191	**45 050**	110 679 539
Loans and advances	**4 751 644**	7 002 740	**23 744**	23 755
Employee receivables	**4 689 019**	3 777 214	**-**	-
Members' contributions receivables	**97 897 173**	67 566 058	**-**	-
Other receivables	**25 472 426**	19 851 666	**424 051**	2 515 367
Current account with ZNPF	**94 407 111**	102 934 550	**-**	-
Inventory	**1 051 739**	239 077	**-**	-
Inventory investments	**567 021 633**	532 134 524	**-**	-
Investment in Stay easy	**17 844 345**	17 844 345	**-**	-
Investment in society house	**358 589 500**	280 091 876	**-**	-
Investment properties	**1 015 489 577**	1 006 088 073	**298 125 028**	183 510 676
Property, plant and equipment	**24 166 328**	16 734 700	**-**	-
TOTAL ASSETS	**8 175 432 330**	6 337 450 059	**358 872 847**	302 285 003
LIABILITIES				
Current account with NAPSA	**-**	-	**94 407 111**	102 934 550
Other payables and accruals	**166 095 613**	86 110 840	**24 381 156**	14 889 912
Claims payable	**25 021 700**	10 583 748	**45 400 000**	-
Deferred liabilities	**2 889 031**	2 353 804		47 730 688
Current tax liabilities	**25 450 967**	25 224 665		4 401 270
Long term loan			**-**	22 662 500
	219 457 311	124 273 057	**164 188 267**	192 618 921
ACCUMULATED FUNDS				
Accumulated funds	**7 617 708 557**	6 060 571 434		
Members' funds	**-**		**(299 521 787)**	(231 469 658)
Investment revaluation reserve	**338 266 462**	152 605 568	**288 499 258**	136 950 654
Property revaluation reserve	**-**		**71 313 796**	71 313 796
Other reserves	**-**		**134 366 714**	132 844 691
Annuity account	**-**		**26 601**	26 601
	7 955 975 019	6 213 177 002	**194 684 581**	109 666 083
TOTAL LIABILITIES AND ACCUMULATED FUNDS	**8 175 432 330**	**6 337 450 059**	**358 872 847**	302 285 003

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX III - STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
for the year ended 31 December 2013

Kwacha

Pension Scheme	Investment revaluation reserves	Accumulated funds	Total
Balance at 1 January 2011	128 375 174	4 735 497 175	4 863 872 350
Surplus of income over expenditure for year	-	1 325 074 259	1 325 074 259
Surplus on revaluation of equity	24 230 394	-	24 230 394
Balance at 31 December 2012	152 605 568	6 060 571 434	6 213 177 002
Surplus of income over expenditure for year	-	1 557 137 123	1 557 137 123
Surplus on revaluation of equity	185 660 894	-	185 660 894
Balance at 31 December 2013	**338 266 462**	**7 617 708 557**	**7 955 975 019**

APPENDIX III - STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS (CONTINUED)
for the year ended 31 December 2013

Kwacha

Provident Fund

	Annuity account	Members funds	Property revaluation reserve	Investment revaluation reserve	Other reserves	Total
Balance at 1 January 2012	26 601	(168 335 284)	71 313 796	155 938 993	131 692 982	190 637 086
Benefit claims and refunds (note 6)	-	(63 025 898)	-	-	-	(63 025 898)
Maternity and funeral grants	-	(108 475)	-	-		(108 475)
Write back on bad debt reserve						-
Surplus on revaluation of property, Investment property	-	-	-	-	-	-
Surplus on revaluation of investments	-	-		(18 988 339)	-	(18 988 339)
movement in the year	-		-	-		-
Annuities redeemed		-	-	-	-	-
Surplus of income over expenditure for year	-	-	-	-	1 151 709	1 151 709
Amortisation of revaluation surplus	-	-	-	-	-	-
Balance at 31 December 2012	**26 601**	**(231 469 657)**	**71 313 796**	**136 950 654**	**132 844 691**	**109 666 083**
Benefit claims and refunds (note 6)	-	(67 870 963)	-	-	-	(67 870 963)
Maternity and funeral grants	-	(181 167)	-	-		(181 167)
Write back on bad debt reserve						-
Surplus on revaluation of property,			-			-
Investment property	-	-	-	-	-	-
Surplus on revaluation of investments	-	-		151 548 604	-	151 548 604
movement in the year	-		-	-		-
Annuities redeemed		-	-	-	-	-
Surplus of income over expenditure for year	-	-	-	-	1 522 023	1 522 023
Amortisation of revaluation surplus	-	-	-	-	-	-
Balance at 31 December 2013	**26 601**	**(299 521 787)**	**71 313 796**	**288 499 258**	**134 366 714**	**194 684 580**

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX IV - STATEMENT OF CASH BALANCES
for the year ended 31 December 2013

Pension Scheme	2013	2012
Zambia National Commercial Bank Plc	**54 748 892**	62 954 108
Barclay Bank Zambia Limited	**16 627 061**	114 765 094
Citibank Zambia Limited	**14 915 563**	38 716 510
Stanbic Bank Zambia Limited	**593 805**	365 616
Standard Chartered Bank Plc	**703 988**	891 717
	87 589 309	217 693 045
Provident Fund		
Zambia National Commercial Bank Plc	**60 254 974**	5 555 667

NATIONAL PENSION SCHEME AUTHORITY