NATIONAL PENSION SCHEME AUTHORITY

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010





MISSION STATEMENT

To prudently administer and be custodian of a viable social scheme that guarantees social protection to our members and realize the highest aspirations of our social partners through a motivated workforce.

VISION STATEMENT

To be a pension scheme that adds value to members' funds and the economy

VALUE STATEMENT

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

We shall be guided by the highest professional standards in the conduct of our business

We are committed to the provision of quality service based on integrity and courtesy.

We are committed to fostering a good working environment in which all employees can develop their fullest potential.

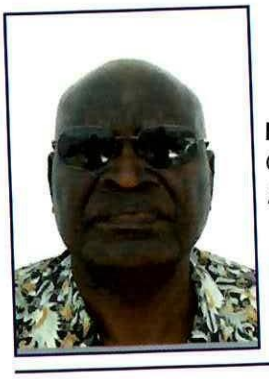
REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2010

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BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS

Board of Trustees



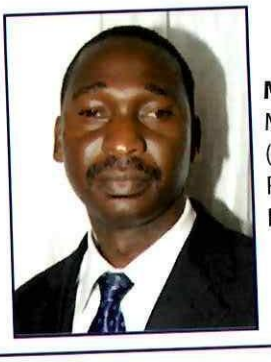
Mr. Dominic N Mbangu
Chairperson
Appointed 23 September 2010



Ms Irene M Muyenga
Vice-Chairperson
(Zambia State Insurance Corporation)
Retired 10 August 2009
Reappointed 23 September 2010



Dr Winnie Sithole Mwenda
Member
(Permanent Secretary – Ministry of Labour & Social Security)
Retired 10 August 2009
Reappointed 23 September 2010
Retired 1 November 2010



Mr. Leonard Hikaumba
Member
(Zambia Congress of Trade Unions)
Retired 10 August 2009
Reappointed 23 September 2010



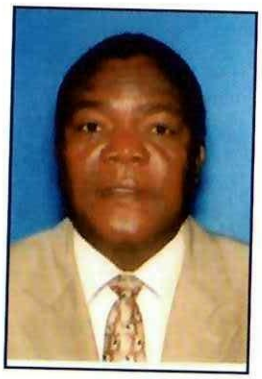
Mr Trevor Kaunda
Retired 10 August 2009
(Alternate – Ministry of Labour & Social Security)
Reappointed 23 September 2010



Mr Justin Mubanga
(Ministry of Finance & National Planning)
Retired 10 August 2009
Reappointed 23 September 2010
Passed away 9 November 2010



Ms Monde F Sitwala
Member
(Ministry of Finance & National Planning)
Appointed 24 November 2010



Mr. Oswell B Munyenyembe
Member
(Mine Workers Union of Zambia)
Appointed 23 September 2010



Mr. Alfred Masupha
Member
(Zambia Federation of Employers)
Retired 10 August 2009
Reappointed 23 September 2010



Ms Kutemba Konga
Member
Appointed 23 September 2010



Mr. Cosmas Mwananshiku
Member
(Investment & Management Solutions)
Appointed 23 September 2010



Mr. Stanley Z Phiri
Ex Officio
(Director General)

SENIOR MANAGEMENT

Senior Management



Mr. Stanley Z Phiri
Director General



Mrs Mutinta Mulonda
Authority Secretary
Appointed 13th September 2010



Mr Joseph Ngosa
Director of Investments



Mr Yollard Kachinda
Director of Contributions & Benefits



Mr Astley Mbangweta
Director of Human Resources



Mrs Kapambwe D Chiwele
Director of Finance



Dr Ceylon Mudenda
Director of Administration & Information Technology

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2010

ADVISORS

Legal Advisors:

Legal Counsel
National Pension Scheme Authority
Provident House
P.O Box 33790
LUSAKA

Auditors:

Ernst & Young
Development House Building
P.O Box 32385
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

Stanbic Bank Zambia Plc
P.O Box 31955
LUSAKA

Head Office:

Lusaka House
Plot No. 8360
P.O Box 51275
LUSAKA

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2010

The Trustees present their report for the year ended 31 December 2010.

1.0 Overview

1.1 Principal activities

The National Pension Scheme Authority (NAPSA) administers a defined benefit scheme under the provisions of the National Pension Scheme Act Number 40 of 1996. NAPSA implements policies relating to the National Pension Scheme as well as controls and administers the operations of the Scheme.

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

1.2 Role in the national economy

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

2.0 Operational performance for the year 2010

2.1 Pension Scheme

The net assets available for benefits at 31 December 2010 increased overall by 26%, to K3.9 trillion, from K3.1 trillion in 2009. The main components impacting on performance were as follows:

i) Investment operations

The Scheme recorded net investment income of K262 billion, a decrease of 6% from the 2009 figure of K279 billion. In addition, losses on revaluation of financial assets were K47 billion compared with gains in 2009 of K71 billion. This loss was due to the decrease in the value of the bond book as a result of the fair valuation as at 31 December 2010. Conversely equity performed well as there was an upswing in the stock prices on the Lusaka Stock Exchange. The Authority disposed of its shares in Celtel Zambia. Reduction in the investment income is also attributable to the fact that about K450 billion went into capital projects and therefore the Authority did not earn any returns from these funds.

ii) Contributions collected

The Scheme collected K804 billion in contributions, an annual increase of K208 billion (35%) from 2009 figure of K595 billion. The collections were above target by K19 billion. The Authority also collected contribution arrears of K1.7 billion.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2010

iii) Management expenses

The management expenses for the Authority for 2010 were K105 billion against a budget of K108 billion. Though the Authority registered a slight increase of K4 billion (3%) in management recurrent expenses compared to 2009 figure of K101 billion, it nonetheless had a favourable variance against the budget of K3 billion.

2.2 Provident Fund

The Provident Fund recorded an overall increase of 8% in net assets available for benefits. The main components impacting on performance were as follows:

i) Investment operations

The Fund recorded net investment income of K27 billion, a reduction from 2009, of K4 billion (13%). The Fund suffered losses on revaluation of financial assets and equity of K5 billion as opposed to gains in 2009.

ii) Contributions collectable

The Fund is depleting in nature since there are no fresh fund inflows from member contributions, following the repeal of the Zambia National Provident Fund Act.

iii) Surplus on revaluation of Properties

The Fund recorded a surplus on revaluation of Investment Properties of K57 billion.

3.0 Restriction on Pension Scheme expenditure

The Pension Scheme has a restriction on expenditure (or cap), intended to allow the Scheme to build a reserve fund capable of maintaining the member contribution rate stable. The measure is thus intended to ensure that a higher percentage of contributions received are channelled to investment activities and enhance benefits for the members, with a lesser percentage going to management expenses. In 2010, the structure of the expenditure ceiling was 9% of annual contributions collected and 1% of funds held under investment.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2010

4.0 Summary financial performance for 2010

4.1 The performance for the year ended 31 December 2010 is shown in Table 1 below:

Table 1

	31 December 2010	31 December 2009	Variance	Variance
	K millions	K millions	**K Millions**	**%**
Recurrent expenditure	116,210	112,702	3,508	3
Capital expenditure	5,603	6,825	(1,222)	(18)
	121.813*	**119,527**	**2,286**	**2**
Total Budget	**120.298**	**98,864**	**21,434**	**22**

**Initial expenditure before depreciation was at K117 billion (2009 - K97.2 billion) and within budget. Depreciation for the year was K4.7 billion (2009 - K4.1 billion).*

5.0 Member service operations

5.1 Pension Scheme

Table 2

Contributions	**2010**	**2009**	**% Increase**
Total number of employers	24,079	22,118	9
Cumulative number of members	1,307,417	1,175,306	11
Provisional registrations	90,782	699,329	(87)
Monthly average collection (Kwacha Billions)	67.0	49.6	34
Benefits			
Lump sum benefits (Kwacha Billions)	60.0	39.6	50
Pensions paid (Kwacha Billions)	36.6	16.2	125
Number of Pensioners	4,279	2,748.0	56

5.2 Provident Fund

The Authority also pays benefits under the repealed Zambia National Provident Fund Act. In 2010 K50.4 billion was paid out in benefit claims compared to K55.8 billion in 2009, representing a reduction of 9%.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2010

6.0 Investments

The Investment portfolio held at the end of the year 2010 is shown in tables 3 and 4 below: These numbers do not include investments in the three real estate developments as they are still work in progress and amounted to K767.1 Billion at 31st December 2010.

Table 3 (Pension Scheme – in Kwacha Billions)

Asset Class	2010 Net Investments Total	2010 % of total portfolio	2009 Net Investments Total	2009 % of total portfolio
Treasury Bills	414	15	759.1	29
Government Bonds	1466	51	948.4	36
Term Deposits	646	23	549.3	21
Equities	270	10	334.5	13
Fixed Interest Securities	41	1	27.7	1
	2,836		2,619	100

Table 4 (Provident Fund – in Kwacha Billions)

Asset Class	2010 Net Investments Total	2010 % of total portfolio	2009 Net Investments Total	2009 % of total portfolio
Treasury Bills	99	27	56.5	19
Government Bonds	20	5	9.5	3
Term Deposits	16	4	23.2	10
Investment Properties	144	39	100.8	35
Equities	92	25	93.3	33
	373		283.3	100

7.0 Staff establishment

7.1 The approved establishment as at 31 December 2010 was as shown at Table 5 below.

Table 5 (Staff establishment)

Station	31/12/2010	31/12/2009
Approved Staff Establishment	384	342
Actual Numbers	347	334

7.2 Various training interventions were implemented in 2010 in accordance with the identified training needs and plan for the year.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2010

8.0 Statement on Corporate Governance

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

8.2 During the period under review, the Board of Trustees met 9 times to consider various matters relating to the Authority. All the Meetings of the Trustees were held in accordance with the provisions of the National Pension Scheme Act, and the proceedings duly recorded.

8.3 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 had the following Committees during the period under review. Further and in order to benefit from persons with relevant skills and experience, some non Authority Members were co-opted into the Committees, as recommended by good corporate governance practice.

8.4 The Committees of the Board were as follows:

8.4.1 Audit Committee

8.4.1.1 The Audit Committee composed the following Members:

- Mr. Cosmas Mwananshiku – Chairperson
- Dr Winnie Sithole Mwenda– Vice Chairperson
- Mr. Oswell Munyenyembe
- Ms. Monde F Sitwala

8.4.1.2 During the period under review, the Audit Committee met two (02) times to consider audit issues and make appropriate recommendations to the Authority.

8.4.2 Finance & Investments Committee

8.4.2.1 The Finance & Investments Committee composed the following Members:

- Ms. Irene Muyenga – Chairperson
- Mr. Cosmas Mwananshiku – Vice Chairperson
- Dr Winnie Sithole Mwenda
- Ms. Monde F Sitwala
- Mr. Leonard Hikaumba
- Mr. Daniel Mhango*
- Dr George Chabwera*

***denotes Committee Members who are not Authority Members**

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2010

8.4.2.2 In 2010, the Finance & Investments Committee met five (05) times to consider investment proposals, make investment decisions and propose appropriate recommendations to the Authority.

8.4.3 Staff Affairs Committee

8.4.3.1 The Staff Affairs Committee composed the following members:

- Mr. Alfred Masupha – Chairperson
- Mr. Oswell Munyenyembe – Vice Chairperson
- Mr. Leonard Hikaumba
- Ms Kutemba Konga
- Mrs Beatrice Mwila*

8.4.3.1 During the period under review, the Staff Affairs Committee met two (02) times to consider matters relating to staff.

9.0 Social Responsibility

The Authority is aware of and gives consideration to its role as a corporate citizen and regularly supports several community programmes through active participation and financial assistance. Cash funding or direct assistance is provided to community projects. The Authority also provides sponsorship of major sporting events and major cultural and traditional ceremonies. Total amount for 2010 was K1.2 billion.

10.0 Management team

10.1 Senior Management comprises the Director General who is the Chief Executive Officer of the Authority and is appointed by the Minister of Labour & Social Security and subject to the control of the Board. The Director General is responsible for the day to day administration of the Authority and is supported by five (05) Directors who each head a Directorate and the Authority Secretary. There is open communication between the Board of Trustees and the Senior Management. The Board and its Committees are supplied with full information prior to each meeting to enable them discharge their responsibilities.

The Board acknowledges that its role is to promote the interest of the members and recognizes that it is accountable to the members for the performance of the Pension scheme.

Trustee

Trustee

***denotes Committee Members who are not Authority Members**

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 keep proper books of accounts and other records relating to its accounts and to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Authority and the results for the period.

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, Ernst & Young, have audited the annual financial statements and their report appears on pages 13 and 14.

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 those controls, procedures and systems has occurred during the period under review.

In the opinion of the Trustees:

- the statement of changes in net assets is drawn up so as to present fairly the surplus of income over expenditure of the Authority for the financial year ended 31 December 2010;
- the statement of net assets available for benefits is drawn up so as to present fairly the state of affairs of the Authority as at 31 December 2010;
- At the date of this statement there were reasonable grounds to believe that the Authority would be able to pay its debts as and when they fall due; and
- The financial statements are drawn up in accordance with the National Pension Scheme Act No. 40 of 1996 and applicable International Financial Reporting Standards.

Signed on behalf of the Board of Trustees by:

Trustee

Trustee

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the financial statements of National Pension Scheme Authority which comprise the statement of net assets available for benefits at 31 December 2010 and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 20 to 53.

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 the requirements of the National Pension Scheme Act No. 40 of 1996. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 the National Pension Scheme Authority at 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the National Pension Scheme Act No. 40 of 1996.

Report on other legal and regulatory requirements

In accordance with the National Pension Scheme Act No. 40 of 1996, we report that, in our opinion, the required accounting records, other records and registers have been properly kept in accordance with the Act.

Ernst & Young

Ernst & Young
Chartered Accountants

HC Nondo

Henry C Nondo
Partner

21 June ***2011***
Lusaka

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended 31 December 2010

All figures are stated in Kwacha'000

Kwacha '000	Note	Pension Scheme		Provident Fund	
		2010	2009	**2010**	2009
Net assets available at beginning of year		**3,136,978,854**	2,312,770,896	**200,358,774**	230,514,187
Member service operations:					
Contributions receivable from members		**804,398,195**	595,909,921	-	-
Contribution arrears		**1,744,834**			
Pension claims and withdrawals		**(55,266,529)**	(36,462,007)	**(50,408,516)**	(55,798,858)
Normal retirement pensions		**(36,682,263)**	(16,250,925)	-	-
Maternity and funeral grants		**(4,815,879)**	(3,217,444)	**(8,426)**	(8,124)
		709,378,358	539,979,545	**(50,416,942)**	(55,806,982)
Investment operations:					
Investment revenue					
Interest on Government bonds		**178,489,192**	144,380,001	**1,777,122**	2,471,790
Interest on treasury bills		**42,744,745**	115,440,507	**8,751,310**	7,654,097
Interest on term deposits		**67,668,279**	52,437,855	**3,196,716**	3,043,616
Other investments		**5,709,393**	5,515,567	-	-
Rental income		-	-	**10,533,999**	13,734,292
Dividend income		**9,833,181**	5,906,732	**2,847,997**	1,659,295
Interest on loans and advances		**1,059,518**	1,000,253	**23,690**	23,690
Rental Income NAPSA		-	-	**1,248,000**	1,248,000
Management fees ZNPF		**1,822,099**	2,233,029	-	-
Handling fees		**(2,552,367)**	(3,794,725)	**(115,519)**	(206,423)
Medical Levy		**(3,085,791)**	(3,149,180)	**(124,481)**	(130,766)
Net exchange (losses)/ gains		**1,294,555**	(1,252,435)	**(751,335)**	1,849,941
Sundry income		**239,163**	2,311,856	-	-
Write back of bad debt provision		**1,225,849**	-	-	-
Loss on disposal of investment properties		-	-	-	(299,500)
Gain/(loss) on disposal of shares		**8,884,473**	-	**192,676**	-
(Loss)/gain on revaluation of financial assets		**(46,636,194)**	47,033,596	**(4,924,564)**	7,830,622
Gain/(losses) on revaluation of equity		-	71,396,372	-	3,619,729
Surplus on revaluation of Investment Property		-	-	**45,243,217**	90,000
Surplus on revaluation of Property		-	-	**11,372,691**	-
		266,696,095	439,459,426	**79,271,519**	42,588,385

The notes on pages 29 to 53 form part of these financial statements

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended 31 December 2010

All figures are stated in Kwacha'000

Kwacha '000		Pension Scheme		Provident Fund	
	Note	2010	2009	2010	2009
Management expenses:					
Employee benefit expenses		**(72,830,453)**	(57,472,012)	**-**	-
Administration expenses		**(32,337,224)**	(43,551,310)	**(10,207,686)**	(11,526,918)
Depreciation		**(4,725,684)**	(4,126,925)	**(6,472)**	-
Pension costs		**(4,380,495)**	(3,611,342)	**-**	-
Interest expense		**-**	-	**(534,707)**	(554,121)
Management fees ZNPF		**-**	-	**(1,822,099)**	(2,233,029)
Rental Charges ZNPF		**(1,248,000)**	(1,248,000)	**-**	-
(Loss)/gain on disposal of property, plant and equipment		**(688,589)**	22,216	**10,501**	-
Bad debts expense and doubtful debts		**-**	(2,714,497)	**1,499,703**	(890,772)
		(116,210,445)	(112,701,870)	**(11,060,760)**	(15,204,839)
Income tax expense		**(43,104,929)**	(42,529,143)	**(1,557,898)**	(1,731,978)
Increase in net assets		**816,759,079**	824,207,958	**16,235,920**	(30,155,415)
Net assets available at end of year		**3,953,737,933**	3,136,978,854	**216,594,695**	200,358,774

The notes on pages 29 to 53 form part of these financial statements

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
at 31 December 2010

All figures are stated in Kwacha'000

Kwacha '000	Note	Pension Scheme 2010	Pension Scheme 2009	Provident Fund 2010	Provident Fund 2009
NET ASSETS		**3,953,737,933**	3,136,978,854	**216,594,695**	200,358,774
Represented by:					
ASSETS					
Bank and cash balances		**215,298,926**	148,568,641	**41,053**	-
Financial assets	9	**2,836,498,614**	2,618,826,967	**228,117,858**	182,513,033
Loans and advances	15	**9,701,644**	-	**-**	-
Employee receivables	16	**5,826,542**	6,711,371	**-**	-
Members' contributions receivables	26	**42,985,768**	32,589,539	**-**	-
Other receivables	17	**5,912,732**	20,156,521	**16,514,630**	4,652,953
Current account with ZNPF		**131,364,877**	42,673,797	**-**	-
Inventory	18	**309,888**	298,607	**-**	-
Investment properties	19	**-**	-	**144,496,368**	100,792,991
Property, plant and equipment	20	**781,106,051**	329,490,948	**47,213,580**	35,848,344
		4,029,005,041	3,199,316,391	**436,383,489**	323,807,322
LIABILITIES					
Current account with NAPSA		**-**	-	**(131,364,877)**	(42,673,797)
Other payables and accruals	22	**(41,083,966)**	(11,764,694)	**(19,256,546)**	(10,495,214)
Provisions for claims payable	25	**(11,450,000)**	(26,036,960)	**(45,400,000)**	(49,159,828)
Deferred liabilities	23	**(2,132,689)**	(2,149,739)	**-**	-
Income Tax liabilities		**(20,600,452)**	(22,386,143)	**(2,679,871)**	(710,334)
Long term loan	24	**-**	-	**(21,087,500)**	(20,409,375)
		(75,267,108)	(62,337,537)	**(219,788,794)**	**(123,448,548)**
NET ASSETS		**3,953,737,933**	3,136,978,854	**216,594,695**	200,358,774

The financial statements on pages 12 to 53 were approved by the Board of Trustees on 21 June 2011 and were signed on its behalf by:

Trustee

Trustee

The notes on pages 29 to 53 form part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 31 December 2010

All figures are stated in Kwacha'000

	Note	Pension Scheme		Provident Fund	
		2010	2009	**2010**	2009
Cash flows from operating activities					
Increase in net assets		**816,759,079**	824,207,958	**16,235,920**	(30,155,415)
Adjusted for non cash items:					
Depreciation	20	**4,725,684**	4,126,925	**6,472**	-
Income tax expense		**43,104,929**	42,529,143	**1,557,898**	1,731,978
Dividend income		**(9,833,181)**	(5,906,732)	**(2,847,997)**	(1,659,295)
Interest income		**(294,611,609)**	(317,773,930)	**(13,725,148)**	(13,169,503)
Surplus on revaluation of investments		**(46,636,194)**	(71,396,372)	**-**	(3,619,729)
Loss/ (gain) on disposal of financial assets		**(8,884,473)**	(47,033,596)	**(4,731,888)**	(7,830,622)
Surplus on revaluation of investments properties		**-**	-	**(43,703,376)**	(90,000)
Gain (loss) on disposal of property, plant and equipment		**(688,589)**	(22,216)	**(10,501)**	299,500
Surplus on revaluation of Properties		**-**	-	**(11,372,691)**	-
Operating cash inflows before movements in operating funds		**503,935,647**	428,731,181	**(58,591,312)**	(54,493,086)
Movement in operating assets and liabilities:					
Dividends received		**9,833,181**	5,906,732	**2,847,997**	1,659,295
Interest received		**294,611,609**	317,773,930	**13,725,148**	13,169,503
Purchase of financial assets		**(172,341,527)**	(365,320,846)	**(40,872,937)**	8,607,227
(Decrease)/Increase in deferred liabilities	23	**(17,050)**	934,046	**-**	-
Increase in loans and advances		**(9,701,644)**	-	**1**	-
(Decrease)/Increase in employee receivables		**884,829**	1,115,382	**-**	-
Increase in member's contribution receivables		**(10,396,229)**	556,375	**-**	-
(Increase)/Decrease in other receivables		**(74,447,291)**	(23,504,485)	**(11,861,677)**	18,454,587
Decrease in long term receivables				**-**	-
(Increase)/Decrease in inventories		**(11,281)**	198,519		-
Proceeds on disposal of investment properties		**-**	-	**-**	7,885,920
Proceeds on disposal of Property, plant & equipment		**1,839,178**	117,024	**11,484**	-
Increase in other payables and accruals		**14,732,312**	26,231,512	**94,370,709**	6,299,880
Net movement in operating assets and liabilities		**65,176,633**	(35,991,811)	**58,220,726**	56,076,412
Income tax paid		**(44,890,620)**	(33,038,879)	**411,638**	(1,583,325)
Net cash utilised in operations		**524,221,659**	359,700,491	**41,053**	-

The notes on pages 29 to 53 form part of these financial statements

STATEMENT OF CASH FLOWS (Continued)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

Kwacha '000		Pension Scheme		Provident Fund	
	Note	2010	2009	2010	2009
Cash flows from investing activities					
Purchase of property, plant and equipment	20	**(457,491,374)**	(269,408,969)	-	-
Proceeds on disposal of property, plant and equipment		-	-	-	-
Net cash outflows to investing activities		**(457,491,374)**	(269,408,969)	-	-
Net cash (outflows)/inflows		**66,730,286**	90,291,522	**41,053**	-
Cash and cash equivalents at beginning of year		**148,568,641**	58,277,119	-	-
Cash and cash equivalents at end of the year		**215,298,926**	148,568,641	**41,053**	-

The notes on pages 29 to 53 form part of these financial statements

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2010

1. General Information

The National Pension Scheme 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 Authority manages the National Pension Scheme and pays pension benefits to members. The Authority became operational on 1 February 2000.

2. New standards and interpretations effective in 2009

A number of new standards, amendments to standards and interpretations are mandatory for the year ended 31 December 2010, and have been adopted by the Authority where relevant to the Authority's operations.

IFRS 8 Operating Segments

The IFRS specifies how an entity should report information about its operating segments in annual financial statements and requires an entity to report selected information about its operating segments in interim financial reports. It also sets out requirements for related disclosures about products and services, geographical areas and major customer. An entity shall apply this IFRS for annual periods beginning on or after 1 January 2009

The standard has no impact on the 2010 financial statements.

IAS 23 Borrowing Costs

Before the Standard was revised entities had the option to capitalize or expense borrowing costs relating to qualifying assets. This option is no longer available.

The revised IAS 23 now requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. The standard was also revised to exclude certain assets as qualifying assets.

This revised Standard is effective for annual periods beginning on or after 1 January 2009

The standard has no impact on the 2010 financial statements.

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2010

2. New standards and interpretations effective in 2009 (Continued)

IAS 1 Presentation of Financial Statements (Revised)

The main changes are as follows:

- Change of the titles of primary statements. The revised Standard replaces the term 'Balance sheet' with 'Statement of financial position' and 'Cash flow statement' with 'Statement of cash flows'.
- Separation of items previously disclosed in the statement of changes in equity between 'other comprehensive income' and 'statement of changes in equity' in order to separate owner and non-owner changes in equity.
- Statement of comprehensive income to include profit or loss for the period (previously the income statement) plus all income and expense items that go directly to equity i.e. items that have by-passed the income statement but have nothing to do with the owners.
- Revised Standard requires dividends recognised as distributions to owners and related amounts per share to be presented in the statement of changes in equity or in the notes. The presentation of such disclosures in the statement of comprehensive income is not permitted.

Implemented

Whilst early application is permitted, entities will be required to comply with the following revised standards for financial periods commencing on or after 1 January 2009. These standards have no impact on the 2010 financial statements of the Authority.

		Effective date
IFRS 1	First time adoption of International Financial Reporting Standards – additional exemptions for first time adopters.	Periods beginning on or after1 January 2010.
IFRS 2	Group cash settled share based payments arrangement.	Periods beginning on or after 1 January 2009.
IFRS 3	Business combinations (revised)	Periods beginning on or after 1 July 2009.
IAS 27	Consolidated and separate financial statements (amendment).	Periods beginning on or after 1 July 2009.
IAS 39	Financial Investments: Recognition and measurement – eligible Hedge items (amendments).	Periods beginning on or after 1 July 2009.
IFRIC 17	Distributions of Non – Cash Assets to Owners	Periods beginning on or after1 July 2009

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2010

3. Significant accounting polices (Continued)

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

Basis of preparation
The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Zambian Kwacha (K), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in the accounting policies 4.

The principal accounting policies are set out below.

Contributions receivable
The National Pension Scheme Act No. 40 of 1996 requires eligible employers to remit contributions for each month by the 10th of the following month. Accordingly, contributions receivable are recognised as revenue by the Authority based on cash received from the 11 January during the year to the 10th of January following the end of the financial year.

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

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2010

3. Significant accounting polices (Continued)

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

Investment income comprises interest from Government bonds, treasury bills, fixed term deposit and bank interest earned. Interest revenue is accrued on a straight line basis.

Rental income
Rental income from investment properties is accrued on a straight-line basis over the term of the relevant lease.

Inventories
In determining the cost, the first-in, first-out method is used and includes all costs incurred in bringing the inventory to its present location and condition.

In determining the cost, the first-in, first-out method is used and includes all costs incurred in bringing the inventory to its present location and condition.

Investment properties
Investment properties which are properties held to earn rentals and/or capital appreciation, are measured initially at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at fair value. Investment properties are individually valued by professional valuers on the basis of open market value as and when the value is deemed to have significantly changed. In other years the properties are stated at the Trustees' valuation having prudent regard to the likely realisable value.

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.

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2010

3. Significant accounting polices (Continued)

Provisions
Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the 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.

Impairment
At each balance sheet date, the Authority reviews the carrying amounts of its long term and other 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.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of changes in net assets.

Translation of foreign currencies
Transactions denominated in foreign currencies are translated into Zambian Kwacha at the rates of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Kwacha at the rates of exchange ruling at the balance sheet date. Gains and losses arising on translation are included in the statement of changes in net assets in the year in which they arise.

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2010

3. Significant accounting polices (Continued)

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 pensionable employees as provided for in line with the Authority's conditions of service.

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

Property, plant and equipment
Buildings held for administrative purposes, are stated in the financial statements at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values.

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

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of changes in net assets.

Financial instruments

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2010

Financial assets
Listed shares and listed redeemable notes held by the Authority that are traded in an active market are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the statement of changes in net assets. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised is included in the statement of changes in net assets for the period.

Dividends on equity instruments are recognised in the statement of changes in net assets when the Authority's right to receive payments is established.

Loans and receivables
Loans and receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are fair valued 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where 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 impacted. For financial assets, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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 receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollected 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.

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2010

3. Significant accounting polices (Continued)

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.

Financial liabilities
Financial liabilities, including borrowings, 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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Authority's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

a) *Impairment losses on loans and advances*
The Authority reviews its employee loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded, the Authority makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the portfolio. If such evidence is identified an impairment loss is recognised.

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 December 2010

4. Critical accounting judgments and key sources of estimation uncertainty Continued

b) *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 its judgment and makes assumptions that are mainly based on market conditions existing at the balance sheet date.

Key sources of estimation uncertainty

a) *Recoverability of rental debtors*

During the year, management reconsidered the recoverability of rental debtors arising from investments properties which is included in the 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.

b) *Useful lives of property, plant and equipment*

The Authority reviews the estimated useful lives of property, plant 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 continues to apply the same useful lives.

c) *Provision for legal claims*

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

d) *Actuarial valuation*

The Authority reviews the actuarial positions of both the Pension Scheme and Provident Fund every three years. The last valuation was performed as at 31 December 2008. In accordance with IAS 26 paragraph 28 b, the Authority discloses the deficit and not record these on the statement of net assets available for benefits.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

All figures are stated in Kwacha'000

1. Principal activity

The National Pension Scheme Authority was established by the National Pension Scheme Act No. 40 of 1996 (the "Act"). The Authority has the statutory mandate for the management, control and administration of the National Pension Scheme. The Authority manages the National Pension Scheme and pays 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

2. Actuarial deficit

In accordance with Section 44 (2) of the Act, the Scheme's actuarial obligation is assessed on tri-annual basis by independent actuaries. Accordingly, the Authority engaged an Actuary to evaluate the Pension scheme as at 31 December 2008. Arising from the 2008 valuation recommendations there was need to carry out another valuation as at 31 December 2009 for the Provident Fund. On the basis of the assumptions and funding objectives within the scheme design, the Scheme is partially funded and therefore will always reveal a deficit at every valuation. The deficit however, is monitored through the tri-annual valuations. As at the date below, the actuarial valuations revealed that the present value of the Authority's obligation exceeded the fair value of the assets as follows:

Pension Scheme (Kwacha Trillions)	**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 Trillions)	
Total liability	8.8
Assets	0.2004
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 Actuary based the present value of promised retirement benefits 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

3. Taxation

The Authority is exempt from income tax under the terms of the Second Schedule to the Income Tax Act, 1966 as amended, except as follows: Under the terms of the Income Tax Amendments Act 3 of 2003, interest arising from treasury bills ("TBs") and Government bonds is subject to income tax of 15% and with effect from 1st April 2003 and as amended effective 1st April 2007, the tax which is withheld at source is also the final tax.

In the course of the year the Authority paid K44,890,620 in Withholding Tax on Investment income under the Pension Scheme and claimed K411,638 under the Provident Fund.

Pension Scheme

Income tax expense	**2010**	2009
Income tax @ 15% on interest on treasury bills or Government bonds	**43,104,929**	42,529,143
Included under current liabilities (assets)		
(Recoverable) payable in respect of previous year	**22,386,143**	12,895,879
Payable in respect of the current year	**43,104,929**	42,529,143
WHT suffered	**65,491,072**	55,425,022
	(44,890,620)	(33,038,879)
Current tax liabilities	**20,600,452**	22,386,143

Provident Fund

Income tax expense	**2010**	2009
Income tax @ 15% on interest on treasury bills or Government bonds	**1,557,898**	1,731,978
Included under current liabilities (assets)		
(Recoverable) payable in respect of previous year	**710,334**	561,681
Payable in respect of the current year	**1,557,898**	1,731,978
WHT claimed/(suffered)	**2,268,232**	2,293,659
	411,638	(1,583,325)
Current tax liabilities	**2,679,870**	710,334

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

4. Financial risk management

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

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

Market risk

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

Investrust bonds (3 years and 6 years) which are at 182 days Treasury bill rates + 2.5% and 3.25% respectively. Pyramid Plaza united bonds matured during the year.

(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 2010, if the market prices had strengthened by 10% with all other variables held constant, the increase in net assets for the year would have been K27,046,967 higher (2009: K33,192,842) mainly as a result of equity investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

4. Financial risk management (Continued)

Pension scheme

At 31 December 2010, if the market prices had weakened by 10% with all other variables held constant, the decrease in net assets for the year would have been K27,046,967 lower (2009: K33,192,842) mainly as a result of equity investments.

Provident fund

At 31 December 2010, if the market prices for equity investments had strengthened by 10% with all other variables held constant, the increase in net assets for the year would have been K9,223,265 higher (2009: K9,330,609) mainly as a result of equity investments

At 31 December 2010, if the market prices for equity investments had weakened by 10% with all other variables held constant, the decrease in net assets for the year would have been K9,223,265 lower (2009: K9,330,609) 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 2010, if the Kwacha had strengthened/weakened by 5% against the US dollar with all other variables held constant, the increase/decrease in net assets for the year would have been K1,962,155 (2009 : K251,491) mainly as a result of US dollar bonds held with Pyramid Plaza and dollar bank accounts.

Provident fund

The Fund is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the World Bank loan.

At 31 December 2010, if the Kwacha had strengthened/weakened by 5% against the US dollar with all other variables held constant, the increase/decrease in net assets for the year would have been K1,054,375 (2009: K1,026,469) mainly as a result of the US dollar payables and bank balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

4. Financial risk management (Continued)

Provident Fund

At 31 December 2010, if the Kwacha had weakened by 5% against the US dollar will all other variables held constant, increase in net assets for the year would have been K1,054,375 lower (2009 : K1,026,469).

(iv) 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 2010 is as follows:

	2010	2009
Pension scheme		
Cash and cash equivalents	**215,298,926**	148,568,641
Equity investments	**270,469,675**	331,928,419
Government securities	**1,879,986,903**	1,707,484,618
Fixed term deposits	**645,510,095**	549,215,006
Other bonds	**40,531,942**	27,711,181
Other receivables	**11,739,273**	26,867,892
	3,063,536,814	2,791,775,757
Provident fund		
Equity investments	**92,232,650**	93,306,086
Government securities	**119,486,434**	66,006,274
Fixed term deposits & other bonds	**40,531,941**	27,711,180
Other receivables	**16,514,630**	4,652,953
	268,765,655	191,676,494

Collateral is held on Fixed Term Deposit and Corporate bonds for K115 billion and K15 billion respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

4. Financial risk management (Continued)

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)

	2010	2009
Past due but not impaired		
Above 60 days	**11,953,179**	9,958,196
Total past due but not impaired	**11,953,179**	9,958,196
Provision for bad debts	**(5,253,111)**	(5,192,507)
	6,700,067	4,765,690

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

4. Financial risk management (Continued)

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

Pension Scheme	Less than 1 year K'000	Between 1 and 2 years K'000	Between 2 and 5 years K'000
At 31 December 2010			
Payables	**43,216,656**	**11,450,000**	-
At 31 December 2009			
Payables	13,914,434	26,026,960	-
Provident Fund			
At 31 December 2010	-	-	**21,087,500**
Long term loan	**64,656,546**	-	-
Payables			
At 31 December 2009	-	-	20,409,375
Long term loan	59,655,042	-	-
Payables			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

5. Investment revenue

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

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

6. Net exchange gains/(losses)

The net exchange gains/ (losses) in the income statement comprise the following:

	2010	2009
Pension Scheme		
Exchange gains	**1,294,555**	-
Exchange losses	-	(1,252,435)
Net exchange gains/(losses)	**1,294,555**	(1,252,435)
Provident Fund		
Exchange gains	-	1,849,941
Exchange losses	**(751,335)**	-
Net exchange (losses)/gains	**(751,335)**	1,849,941

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

6. Net exchange gains/(losses) (Continued)

In 2010 the Zambian Kwacha appreciated against the US Dollar and other major convertible foreign currencies.

The impact of the appreciation of the Kwacha is that the Authority recorded exchange losses on its foreign currency denominated investments and bank balances, and an exchange gain on the foreign currency denominated loan.

The table below illustrates the movements in the US Dollar exchange rates during the period:

Currency	Mid – market exchange rate as at 1 January 2010	Mid – market exchange rate as at 31 December 2010	Average depreciation during the year
US Dollar (1 US$ =)	ZK4,665	ZK4,820	3%

The table below illustrates the movements in the US Dollar exchange rates during 2008:

Currency	Mid – market exchange rate as at 1 January 2009	Mid – market exchange rate as at 31 December 2009	Average appreciation During the year
US Dollar (1 US$ =)	ZK4,965	ZK4,665	6%

7. Benefit claims and refunds

Pension Scheme	2010	2009
Retirement refund	**12,875,255**	9,557,378
Survivors refund	**9,195,483**	6,620,661
Invalidity refund	**67,898**	133,640
Refund of contributions	**2,791,882**	500
	24,930,517	16,312,179
Indexed payments	**28,279,650**	18,893,394
Interest on refund	**2,056,362**	1,256,433
	30,336,012	20,149,827
	55,266,529	36,462,007

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

7. Benefit claims and refunds (Continued)

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

The 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 made pension payments to 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	**2010**	2009
Interest on benefits	**43,659,526**	50,342,097
Retirement	**5,240,556**	4,115,383
Survivors	**789,966**	684,312
Age	**473,598**	451,551
Disability	**35,180**	67,130
Home ownership	**155,706**	104,836
Savings	**38,849**	39,640
Emigration	**14,500**	(202)
Contribution refunds	-	(5,858)
Suplementary savings	**634**	(32)
	50,408,516	55,798,858

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

All figures are stated in Kwacha'000

8. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

9. Financial assets

Pension Scheme	2010	2009
Treasury bills (note 10)	**414,330,894**	759,052,392
Government bonds (note 11)	**1,465,656,009**	948,432,226
Fixed term deposits (note 12)	**645,510,095**	549,215,006
Other stocks and bonds (note 13)	**40,531,942**	27,711,181
Equity (note 14)	**270,469,675**	334,416,162
	2,836,498,615	2,618,826,967
Provident Fund		
Treasury bills (note 10)	**99,239,970**	56,453,139
Government bonds (note 11)	**20,246,463**	9,553,136
Fixed term deposits (note 12)	**16,398,774**	23,200,674
Other Stocks and Bonds (note 13)	**-**	-
Equity (note 14)	**92,232,650**	93,306,086
	228,117,858	182,513,033

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

10. Treasury bills - maturity analysis

Pension Scheme	2010	2009
91 days		18,923,979
182 days	**14,002,982**	20,000,314
273 days	**97,890,730**	77,032,283
365 days	**302,437,182**	643,095,816
	414,330,894	759,052,392

Provident Fund		
91 days	**18,540**	18,541
182 days	**42,174,697**	6,759,394
273 days	**37,651,509**	35,994,932
365 days	**19,395,224**	13,680,272
	99,239,970	56,453,139

Interest on treasury bills is receivable on maturity at varying rates between 5% and 10%. The bills mature on diverse dates between January 2011 and December 2011.

11. Government bonds

Pension Scheme	2010	2009
1 year Government bonds	-	-
1.5 years Government bond	-	-
2 to 5 years Government bonds	**1,319,623,349**	909,190,236
7 to 15 years Government bonds	**146,032,660**	39,241,990
	1,465,656,009	948,432,226

Interest on the Government bonds is receivable semi annually at varying rates between 8% and 15%. The bonds mature on diverse dates between January 2011 and December 2022.

Provident Fund	2010	2009
1 year Government bonds	**20,246,463**	-
1.5 years Government bond	-	-
2 to 5 years Government bonds	-	9,553,136
	20,246,463	9,553,136

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

12. Fixed term deposits (continued)

Pension Scheme	**2010**	2009
Citibank Zambia Limited	**30,508,246**	30,882,957
Zambia National Commercial Bank Plc	**25,897,326**	65,048,850
Indo-Zambia Bank Limited	**33,649,162**	32,275,420
Investrust Bank Limited	**-**	15,776,712
First National Bank	**31,716,164**	-
Cavmont Capital Bank	**26,241,644**	-
United Bank of Africa	**21,621,918**	-
Union Bank Limited (In Liquidation)	**235,096**	235,096
United Bank of Zambia Limited (In Liquidation)	**80,517**	80,517
Finance Building Society	**1,610,178**	2,634,178
Stanbic Bank Zambia Limited	**103,130,800**	158,888,642
Barclays Bank Zambia Limited	**125,028,422**	-
Standard Chartered Bank	**48,387,262**	93,416,280
Finance Bank	**115,134,094**	113,310,724
Access Bank Zambia Limited	**65,101,865**	31,792,750
First Alliance Bank	**10,081,096**	-
Ecobank	**7,401,918**	5,188,493
	645,825,708	549,530,619
Less Impairment provision	**(315,613)**	(315,613)
	645,510,095	549,215,006

Provident Fund		
Cavmont Capital Bank Limited Plc (In Liquidation)	**430**	430
Commerce Bank Limited (In Liquidation)	**1,365,977**	1,365,977
First Merchant Bank Limited (In Liquidation)	**847,187**	847,187
Credit Africa Bank Limited (In Liquidation)	**793,790**	793,790
Union Bank Limited (In Liquidation)	**299,850**	299,850
Prudence Bank Limited (In Liquidation)	**-**	362,823
Manifold Investment Bank Limited (In liquidation)	-	36
International Commercial Bank	**5,180,822**	-
Pan African Building Society	**128,358**	128,358
Stanbic Bank Zambia Limited	**11,217,953**	9,959,803
Union Leasing Zambia Limited	**202,835**	202,835
UniFinance Zambia Limited	**119,837**	119,837
Standard Chartered Bank	**-**	13,774,068
	20,157,039	27,854,994
Less: Impairment provision	**(3,758,265)**	(4,654,320)
	16,398,774	23,200,674

Interest on fixed term deposits is receivable on maturity at varying rates between 4% and 13%. The maturity period ranges between 30 to 365 days and deposits mature on diverse dates between January 2011 and December 2011.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

All figures are stated in Kwacha'000

13. Other stocks and bonds

	2010	2009
Pension Scheme		
Barclays Bank Zambia Plc ("BBZ") 12 year bond	**15,210,013**	14,882,130
Pyramid Plaza Limited Bonds	**-**	1,809,338
Investrust Bank	**25,321,928**	12,681,940
	40,531,941	29,373,408
Less: Impairment provision	**-**	(1,662,228)
	40,531,941	27,711,180
Provident Fund		
Meridien BIAO Bank Limited (In liquidation)	**11,252**	11,252
	11,252	11,252
Less: Impairment provision	**(11,252)**	(11,252)
	-	**-**

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

This was a 12 year BBZ corporate bond denominated in Kwacha. The bond bears interest at 31.27% per annum.

Pyramid Plaza Bonds

This was a combination of three corporate bonds denominated in US Dollars with tenures of 3 years, 4 years and 5 years. The bonds bore annual interest rates of 10%, 11% and 12% per annum respectively, and matured during the year.

Investrust Bank

This is a combination of two bonds denominated with tenures of '3 years and '6 years.
The interest rates are at 182 days Treasury Bills rate + 2.5% margin and 182 days Treasury bills rate + 3.25% margin.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

14. Available for sale financial assets – equity

Pension Scheme	No. of shares	Share price	2010 Market Value	2009 Market Value
Zambia Sugar plc	362,520,236	310.00	**112,381,273**	137,739,210
ZANACO PLC	102,936,652	821.00	**84,510,991**	56,354,657
Zambeef	8,282,171	3,700.00	**30,644,033**	31,472,250
British Petroleum Zambia Plc	31,402,551	321.00	**10,080,219**	8,478,689
Standard Chartered Bank	24,596,401	278.00	**6,837,799**	6,149,100
Metal Fabricators of Zambia Plc	10,890,519	600.00	**6,534,311**	2,178,104
Farmers House Plc	2,097,576	3,000.00	**6,292,728**	5,663,455
Prima Re-Insurance	570,918,822	8.00	**4,567,351**	4,567,351
Lafarge Plc	521,123	6,815.00	**3,551,453**	2,487,744
Cavmont Capital Holdings Plc	546,915,739	4.00	**2,187,663**	4,648,784
Pamodzi Hotel Plc	4,056,473	365.00	**1,480,613**	1,298,071
National Breweries Plc	150,000	6,800.00	**1,020,000**	969,000
British American Tobacco Zambia Plc	155,048	1,650.00	**255,829**	193,810
African Explosives Plc	69,288	1,810.00	**125,411**	69,288
Celtel Zambia*	-	-	-	62,150,400
Zambian Lotto*	-	-	-	9,996,250
	-	-	**270,469,675**	334,416,163

*During the year the Authority disposed of Celtel Zambia shares. In addition the shares in Zambian Lotto were converted to debt. Zambian Lotto have been up to date with the repayments of the debt.

Provident Fund	No. of shares	Share price	2010 Market Value	2009 Market Value
Zambia Sugar Plc	130,470,417	310	**40,445,829**	49,709,229
Standard Chartered Bank Zambia Plc	62,834,139	278	**17,467,891**	15,708,535
Chilanga Cement Plc	3,781,934	6,815	**25,773,880**	20,800,637
National Breweries Plc	1,250,000	6,800	**8,500,000**	8,075,000
Development Bank of Zambia	4,505	10,000	**45,050**	45,050
Commerce Bank Limited (In Liquidation)		1	**2,157,780**	2,157,780
Zambia Consumer Buying Corporation Limited (In Liquidation)	-	-	**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
			94,393,580	96,499,381
Less: Impairment provision			**(2,160,930)**	(3,193,295)
			92,232,650	93,306,086

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2010

All figures are stated in Kwacha'000

15. Loans and advances

	2010	2009
Pension Scheme		
Zambian Lotto	**9,701,644**	-
Less: Impairment provision	**-**	-
	9,701,644	-
Provident Fund		
Government loans	**899,953**	876,358
Parastatal and private sector	**88,227**	88,227
Local authority loans	**7,715**	7,715
	995,896	972,300
Less: Impairment provision	**(995,896)**	(972,300)
	-	-

16. Employee receivables

Pension Scheme		
Housing loans	**77,648**	150,060
Personal loans	**-**	6,998
Other staff loans	**6,006,344**	6,929,053
	6,083,992	7,086,111
Bad debts provision	**(257,451)**	(374,740)
	5,826,542	6,711,371

17. Other receivables

Pension Scheme		
Other receivables	**3,627,159**	2,640,741
Dividend receivables	**1,174,060**	137,643
Prepayments	**1,111,513**	17,378,137
	5,912,732	20,156,521
Bad debts provision	**-**	-
	5,912,732	20,156,521

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

17. Other receivables (Cont'd)

Provident Fund	**2010**	2009
Rental debtors	**11,953,179**	9,958,196
Prepayment	**5,395,303**	-
Dividends	**571,108**	273,038
Others receivables	**211,623**	-
	18,131,212	10,231,234
Bad debts provision	**(1,616,582)**	(5,836,788)
	16,514,630	4,394,446

18. Inventory

Inventories comprise mainly of stationery. An allowance has been made for defective, slow moving and obsolete inventories of **ZK128 million** (2009: ZK128 million)

19. Investment properties

Provident Fund	**2010**	2009
At beginning of year	**100,792,991**	108,978,411
Disposals	**(2,183,440)**	(8,185,420)
Additions	**-**	-
Revaluation surplus	**45,886,817**	-
At end of year	**144,496,368**	100,792,991

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

20. Property, plant and equipment

Pension Scheme

Cost	Capital Work in Progress	Motor vehicles	Office furniture, equipment and fittings	Total
At 1 January 2009	52,688,157	11,774,563	18,074,663	82,537,383
Additions	262,583,611	5,702,006	1,123,351	269,408,968
Disposals	-	(501,736)	-	(501,736)
At 31 December 2009	315,271,768	**16,974,833**	**19,198,014**	**351,444,615**
At 1 January 2010	315,271,768	**16,974,833**	**19,198,014**	**351,444,615**
Additions	451,888,430	3,573,161	2,029,783	457,491,374
Disposals	-	(763,862)	(2,072,246)	(2,836,108)
At 31 December 2010	**767,160,198**	**19,784,133**	**19,155,551**	**806,099,881**
Depreciation				
At 1 January 2009	-	5,060,960	13,172,658	18,233,619
Charge for year	-	2,562,863	1,564,056	4,126,925
Eliminated on disposal	-	(406,877)	-	(406,877)
At 31 December 2009	-	**7,216,946**	**14,736,714**	**21,953,667**
At 1 January 2010	-	**7,216,946**	**14,736,714**	**21,953,667**
Charge for year	-	3,415,466	1,310,215	4,725,682
Eliminated on disposal	-	(358,677)	(1,326,841)	(1,685,518)
At 31 December 2010	-	**10,273,736**	**14,720,088**	**24,993,831**
Carrying amount At 31 December 2010	**767,160,198**	**9,510,397**	**4,435,463**	**781,106,051**
At 31 December 2009	315,271,768	9,757,887	4,461,294	329,490,949

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

20. Property, plant and equipment (continued)

Provident Fund Cost	Leasehold land and buildings	Motor vehicles	Office furniture, equipment and fittings	Total
At 1 January 2009	35,718,474	1,141,522	4,121,153	40,981,149
Revaluations		(589,966)	(3,466,191)	(4,056,157)
Disposals	-	-	-	-
At 31 December 2009	**35,718,474**	**551,556**	**654,962**	**36,924,992**
At 1 January 2010	35,718,474	551,556	654,962	36,924,992
Revaluations	11,372,691	-	-	11,372,691
Disposals	-	(492,960)	(85,292)	(578,252)
At 31 December 2010	**47,091,165**	**58,596**	**569,670**	**47,719,431**
At 1 January 2009	-	1,141,521	3,990,045	5,131,566
Charge for year	-	-		-
Eliminated on disposal	-	(589,966)	(3,464,952)	(4,054,918)
At 31 December 2009	**-**	**551,555**	**525,093**	**1,076,648**
Depreciation				
At 1 January 2010	-	551,555	525,093	1,076,648
Charge for year	-	-	6,472	6,472
Eliminated on disposal	-	(492,960)	(84,309)	(577,269)
At 31 December 2010	**-**	**58,595**	**447,256**	**505,851**
Carrying amount				
At 31 December 2010	**47,091,165**	**1**	**122,414**	**47,213,580**
At 31 December 2009	35,718,474	1	129,869	35,848,344

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

21. Capital commitments

As at 31 December 2010 the Authority had capital commitments of approximately ZK3.5 billion. (2009:ZK5.9 billion).

22. Other payables and accruals

	2010	2009
Pension Scheme		
Sundry payables	**36,854,059**	164,250
Accrued expenses	**4,229,908**	11,600,444
	41,083,966	11,764,694
Provident Fund		
Sundry payables	**18,425**	23,561
Accrued expenses	**19,238,120**	10,471,653
	19,256,546	10,495,214

23. 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:

	2010	2009
At beginning of year	**2,149,739**	1,215,693
Charge for the year	**1,707,299**	1,413,524
Paid during the year	**(1,724,349)**	(479,478)
At end of year	**2,132,689**	2,149,739

24. Long term loan

Provident Fund		
At beginning of year	**20,409,375**	21,721,875
Net exchange loss/(gain)	**678,125**	(1,312,500)
At end of year	**21,087,500**	20,409,375

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

24. Long term loan (Continued)

The loan, of US$5 million, was obtained from the World Bank through the Ministry of Finance and National Planning. The loan bears interest at 2.5% per annum and is payable in 24 instalments over a period of 12 years. The loan is denominated in US$ and is unsecured.

The Authority had entered into negotiations with the Ministry of Finance and National Planning for a possible debt swap of the long term loan for the debt owed by the Government. The Authority is also pursuing a write off of the full amount following the write off of Government debt by the World Bank. The Authority has however accrued interest payable on the loan as at 31 December 2010.

25. Provisions for legal claims

Legal claims payable relate to various 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.

26. Contributions receivable from members

Contributions receivable from members represent 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 contributions receivable is accounted for on the basis of receipts from 1 January of each year to 10 January of the following year. Contribution income from 1 January 2011 to 11 January 2011 amounted to K42,985,768 (2009 : K32,589,539).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

27. Retirement benefits

The Authority maintains a pension scheme comprising both defined benefit and defined contribution schemes, established to provide retirement benefits for employees. The Authority's contributions to the scheme for the year ended 31 December 2010 was K4,380,495 (2009: K3,611,000).

28. Related party transactions

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

- The Government of the Republic of Zambia;
- Members of the Board of Trustees including the Director General;
- Staff Pension Scheme

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.

All transactions with related parties were carried out under open market conditions as would apply to any other entity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

28. Related party transactions (continued)

The net effect of related party transactions on the results for the year ended 31 December 2010 is as follows:

a) Amounts due from the Government

	2010	2009
Rental income	**959,899**	999,746
Government loans	**187,463**	187,463
Parastatal and private sector	**88,227**	88,227
Interest on Government loans	**23,690**	23,690
Local authority loans	**2,918**	2,918
	1,262,197	1,302,044

Compensation of Trustees of the board
The remuneration of Trustees during the year were as follows:

	2010	2009
Trustees allowances	**1,171,020**	1,413,525

29. Contingent liabilities

As at 31 December 2010, the Authority had the following contingent liabilities:

a) Long term receivable
The Authority is involved in a matter in which it seeks to enforce payment of compound interest on an outstanding debt. As the matter is currently before the courts of law, the likely financial effect cannot be determined with reasonable certainty.

b) Guarantees

Zamsa Freight Services Limited US$1,800,000

c) Other

Other than the liability to pay pensions and other benefits there were no other contingent liabilities of the Scheme as at 31 December 2010, as all other deemed likely to crystallise have been provided for.

APPENDIX I

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

All figures are stated in Kwacha'000

	Pension Scheme		Provident Fund	
Member service operations:	**2010**	2009	**2010**	2009
Contributions receivable from Members	**804,398,195**	595,909,921	-	-
Contribution arrears	**1,744,834**	-	-	-
Benefit claims and refunds	**(60,082,408)**	(39,679,450)	**(50,416,942)**	(55,806,982)
Normal retirement pensions	**(36,682,263)**	(16,250,925)		
	709,378,358	539,979,545	**(50,416,942)**	(55,806,982)
Investment operations:				
Investment revenue				
- Interest on Government bonds	**178,489,192**	144,380,001	**1,777,122**	2,471,790
- Interest on treasury bills	**42,744,745**	115,440,507	**8,751,310**	7,654,097
- Interest on term deposits	**67,668,279**	52,437,855	**3,196,716**	3,043,616
- Other investments	**5,709,393**	5,515,567		
- Rental income			**11,781,999**	14,982,294
- Dividend income	**9,833,181**	5,906,732	**2,847,997**	1,659,295
Management fees	**1,822,099**	2,233,029		
Handling fees	**(2,552,367)**	(3,794,725)	**(115,519)**	(206,423)
Medical Levy	**(3,085,791)**	(3,149,180)	**(124,481)**	(130,766)
Surplus on revaluation of investments	-	71,396,372	**11,372,691**	3,619,729
Surplus on revaluation of Investment properties	-	-	**45,243,217**	90,000
Surplus on revaluation of financial assets	**(46,636,194)**	-	**(4,924,564)**	-
Interest on loans and advances	**1,059,518**	1,000,253	**23,690**	23,690
	255,052,055	391,366,410	**79,830,179**	33,207,322
Other operating income:				
Exchange gains (losses)	**1,294,555**	(1,252,435)	**(751,335)**	1,849,941
Gain (loss) on disposal of plant and equipment properties	-	-		-
Gain (loss) on disposal of shares	**(688,589)**	22,216	**10,501**	(299,500)
Write back of bad debt provision	**8,884,473**	47,033,596	**192,676**	7,830,622
Sundry income	**1,225,849**	-	-	-
	239,163	2,311,856	-	-
	10,955,451	48,115,233	**(548,158)**	9,381,063

APPENDIX I

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
for the year ended 31 December 2010

All figures are stated in Kwacha'000

	Pension Scheme		Provident Fund	
	2010	2009	**2010**	2009
Management and administration expenses:				
Employee benefit expenses	**(72,830,453)**	(57,472,012)	**-**	-
Administration expenses	**(33,585,224)**	(44,799,310)	**(12,029,786)**	(13,759,946)
Pension cost	**(4,380,495)**	(3,611,342)	**-**	-
Bad and doubtful debts provision	**-**	(2,714,497)	**1,499,704**	(890,771)
Depreciation	**(4,725,684)**	(4,126,925)	**(6,472)**	-
	(115,521,855)	(112,724,087)	**(10,536,554)**	(14,650,717)
Surplus of income over expenditure before finance costs and tax	**859,864,008**	866,737,101	**18,328,526**	(27,869,314)
Interest expense	**-**	-	**(534,707)**	(554,121)
	859,864,008	866,737,101	**17,793,819**	(28,423,435)
Surplus of income over expenditure before tax	**859,864,008**	866,737,101	**17,793,819**	(28,423,435)
Tax expense	**43,104,929**	42,529,143	**1,557,898**	1,731,978
Surplus after tax	**816,759,079**	824,207,958	**16,235,921**	(30,155,413)

APPENDIX II

STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

All figures are stated in Kwacha'000

	Note	Pension Scheme		Provident Fund	
		2010	2009	**2010**	2009
ASSETS					
Bank and cash balances		**215,298,926**	148,568,641	**41,053**	-
Financial assets	9	**2,836,498,614**	2,618,826,967	**228,117,858**	182,513,033
Loans and advances	16	**9,701,644**	-	**-**	-
Employee receivables	17	**5,826,542**	6,711,371	**-**	-
Members' contributions receivables		**42,985,768**	32,589,539	**-**	-
Other receivables	18	**5,912,732**	20,156,521	**16,514,630**	4,652,953
Current account with ZNPF		**131,364,877**	42,673,797	**-**	-
Inventory	20	**309,888**	298,607	**-**	-
Investment properties	21	**-**	-	**144,496,368**	100,792,991
Property, plant and equipment	22	**781,106,051**	329,490,948	**47,213,580**	35,848,344
TOTAL ASSETS		**4,029,005,041**	3,199,316,391	**436,383,489**	323,807,322
LIABILITIES					
Current account with NAPSA		**-**	-	**131,364,877**	42,673,797
Other payables and accruals	24	**41,083,966**	11,764,694	**19,256,546**	10,495,214
Claims payable	27	**11,450,000**	26,036,960	**-**	-
Deferred liabilities	25	**2,132,689**	2,149,739	**45,400,000**	49,159,829
Current tax liabilities		**20,600,452**	22,386,143	**2,679,871**	710,334
Long term loan	26	**-**	-	**21,087,500**	20,409,375
		75,267,108	62,337,537	**219,788,793**	123,448,549
ACCUMULATED FUNDS					
Accumulated funds		**3,908,272,255**	3,116,484,548	**-**	-
Members' funds		**-**	-	**(119,393,103)**	(68,976,161)
Investment revaluation reserve		**45,465,678**	20,494,306	**143,612,897**	91,728,877
Property revaluation reserve		**-**	-	**71,313,796**	71,313,796
Other reserves		**-**	-	**121,034,503**	106,265,660
Annuity account		**-**	-	**26,601**	26,601
		3,953,737,933	3,136,978,854	**216,594,695**	200,358,773
TOTAL LIABILITIES AND ACCUMULATED FUNDS		**4,029,005,041**	3,199,316,391	**436,383,488**	323,807,322

PPENDIX III

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
for the year ended 31 December 2010

All figures are stated in Kwacha'000

Pension Scheme	Investment revaluation reserves	Accumulated funds	Total
Balance at 1 January 2009	(50,902,065)	2,363,672,960	2,312,770,895
Surplus of income over expenditure for year	-	752,811,588	752,811,588
Surplus on revaluation of equity	71,396,371	-	71,396,371
Balance at 31 December 2009	**20,494,306**	**3,116,484,548**	**3,136,978,854**
Balance at 1 January 2010	20,494,306	3,116,484,548	3,136,978,854
Surplus of income over expenditure for year	-	791,787,707	791,787,707
Surplus on revaluation of equity	24,971,372	-	24,971,372
Balance at 31 December 2010	**45,465,678**	**3,908,272,255**	**3,953,737,933**

APPENDIX III

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS (CONTINUED)

for the year ended 31 December 2010

Kwacha '000 **Provident Fund**	**Annuity account**	**Members' funds**	**Investment revaluation reserve**	**Other reserves**	**Total**
Balance at 1 January 2009	26,601	(13,169,178)	80,278,526	92,154,443	230,514,188
Benefit claims and refunds (note 6)	-	(55,798,858)	-	-	(55,798,858)
Maternity and funeral grants	-	(8,124)	-		(8,124)
Investment property	-	-	-	-	90,000
Surplus on revaluation of investments	-	-	3,619,729	-	3,619,729
Surplus of income over expenditure for year	-	-	-	14,111,217	14,111,217
Amortisation of revaluation surplus	-	-	7,830,622	-	7,830,622
Balance at 31 December 2009	**26,601**	**(68,976,160)**	**91,728,877**	**106,265,660**	**200,358,774**
Balance at 1 January 2010	26,601	(68,976,160)	91,728,877	106,265,660	200,358,774
Benefit claims and refunds (note 6)	-	(50,408,516)	-	-	(50,408,516)
Maternity and funeral grants	-	(8,426)	-	-	(8,426)
Investment property	-	-	11,372,691	-	11,372,691
Surplus on revaluation of investments	-	-	40,511,329	-	40,511,329
Surplus of income over expenditure for year	-	-	-	14,768,843	14,768,843
Balance at 31 December 2010	**26,601**	**(119,393,102)**	**143,612,897**	**121,034,503**	**216,594,696**