NATIONAL PENSION SCHEME AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2007

NATIONAL PENSION SCHEME AUTHORITY

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2007

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NATIONAL PENSION SCHEME AUTHORITY

MISSION STATEMENT

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

NATIONAL PENSION SCHEME AUTHORITY

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS
for the year ended 31 December 2007

Board of Trustees

Professor John Lungu (Copperbelt University)	-	Chairperson Appointed 22 May 2008
Mrs Sherry Thole (Bankers Association of Zambia)	-	Chairperson Retired 21 May 2008
Mr. Chris Kampamba (Professional Life Assurance Limited)	-	Vice-Chairperson Reappointed 22 May 2008
Mr. Ngosa Chisupa (Permanent Secretary – Ministry of Labour & Social Security)	-	Member Reappointed 22 May 2008
Mr. Leonard Hikaumba (Zambia Congress of Trade Unions)	-	Member Reappointed 22 May 2008
Ms. Ireen Muyenga (Zambia State Insurance Corporation)		Member Appointed 22 May 2008
Mr. Justin Mubanga (Ministry of Finance & National Planning)	-	Member Appointed 22 May 2008
Mr. Rayford Mbulu (Mine Workers Union of Zambia)	-	Member Appointed 22 May 2008
Mr. Alfred Masupha (Zambia Federation of Employers)	-	Member Appointed 22 May 2008
Mr. Anthony Dumingu (Ministry of Labour & Social Security)	-	Alternate Member Retired 21 May 2008
Mr. Ronald M. Simwinga (Ministry of Finance & National Planning)	-	Alternate Member Retired 21 May 2008
Mr. P. Mutenda (Zambia Federation of Employers)	-	Member Retired 21 May 2008
Dr. Aubrey M. Chibumba (ex-officio)	-	Director General Appointed 1 June 2007
Mr. Dann K. Musenge (ex-officio)	-	Director General Retired 31 March 2007

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS (CONTINUED)
for the year ended 31 December 2007

Investments Committee

Mr. Chris C. Kampamba (Professional Life Assurance Limited)	-	Chairperson Reappointed 22 May 2008
Mr. Ngosa Chisupa (Permanent Secretary - Ministry of Labour & Social Security)	-	Member Reappointed 22 May 2008
Mr. Leonard Hikaumba (Zambia Congress of Trade Unions)	-	Member Reappointed 22 May 2008
Mr. Ronald I. Kasongo (Former Chief Executive Officer – Mukuba Pension Scheme)	-	Member Appointed 17 July 2008
Mrs Sherry Thole (Bankers Association of Zambia)	-	Chairperson Retired 21 May 2008
Mr. Ronald M. Simwinga (Ministry of Finance & National Planning)	-	Alternate Member Retired 21 May 2008

Staff Committee

Mr. Alfred Masupha (Zambia Federation of Employers)	-	Chairperson Appointed 22 May 2008
Mr. P. Mutenda (Zambia Federation of Employers)	-	Chairperson Retired 21 May 2008
Ms. Ireen Muyenga (Zambia State Insurance Corporation)	-	Member Appointed 22 May 2008
Mr. Rayford Mbulu (Mine Workers Union of Zambia)	-	Member Appointed 22 May 2008
Mrs Beatrice Mwila (Former ZFE Chief Executive - External)	-	Member Appointed 22 May 2008
Mrs Sherry Thole (Bankers Association of Zambia)	-	Chairperson Retired 21 May 2008
Mr. Ronald M. Simwinga (Ministry of Finance & National Planning)	-	Alternate Member Retired 21 May 2008
Mr. Ngosa Chisupa (Permanent Secretary – Ministry of Labour & Social Security)	-	Member Retired 21 May 2008
Mr. Leonard Hikaumba (Zambia Congress of Trade Unions)	-	Member Retired 21 May 2008

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS (CONT'D)
for the year ended 31 December 2007

Audit Committee

Mr. Rayford Mbulu (Mine Workers Union of Zambia)	-	Chairperson Appointed 22 May 2008
Mr. P. Mutenda (Zambia Federation of Employees)	-	Chairperson Retired 21 May 2008
Mr. Ngosa Chisupa (Permanent Secretary – Ministry of Labour & Social Security)	-	Member Reappointed 22 May 2008
Mr. Justin Mubanga (Ministry of Finance & National Planning)	-	Member Appointed 22 May 2008
Mr. S. E. Banda (Member of ZICA Technical Committee - External	-	Member Appointed 17 July 2008
Mr. Ronald M. Simwinga (Ministry of Finance & National Planning)	-	Alternate Member Retired 21 May 2008
Mr. Chris C. Kampamba (Professional Life Assurance Limited)	-	Member Retired 21 May 2008

Senior Management

Dr. Aubrey M. Chibumba	-	Director General
Mr. Jordan B. Theu	-	Authority Secretary
Mr. Joseph Ngosa	-	Director Investments
Mr. Yollard Kachinda	-	Director Contributions and Benefits
Mr. Astley Mbangweta	-	Director Human Resources
Mrs. Kapambwe D. C. Chiwele	-	Director Finance

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS (CONT'D)
for the year ended 31 December 2007

Legal Advisors:	Legal Counsel National Pension Scheme Authority Provident House Cairo Road P.O. Box 33790 LUSAKA
Auditors:	PricewaterhouseCoopers Seventh Floor National Savings and Credit Bank Building North End, Cairo Road P.O.B ox 30942 LUSAKA
Bankers:	Zambia National Commercial Bank Plc Lusaka Business Centre Cairo Road Private Bag E119 LUSAKA Citibank Zambia Limited P.O. Box 30037 Lusaka Barclays Bank Zambia Plc Lusaka Business Centre Cairo Road Private Bag E308 LUSAKA
Head Office:	Lusaka House Plot No. 8360 Corner - Ben Bella and Lumumba Roads P.O.Box 51275 Lusaka

NATIONAL PENSION SCHEME AUTHORITY

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2007

The Trustees present their report for the year ended 31 December 2007.

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 defined contribution plan previously established under the now repealed Zambia National Provident Fund Act. (NAPSA was established to replace the Zambia National Provident Fund ("ZNPF"), and became operational in February 2000).

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 2007

2.1 General financial performance

Pension Scheme
The pension scheme recorded 45% increase in contributions collected, exclusive of penalties, and an overall increase in net assets of 20%.

Provident Fund
The provident fund recorded an overall increase in net assets of 4%, as a result of revaluation gains.

2.2 Restriction on 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 administrative expenditure.

The Authority has continued to focus on possible ways of reviewing the cost structure to ensure cost effectiveness and that it operates within the cap. Enormous progress has been made to this end in relation to the years before the transformation in 2000, when over 100 % of income was consumed for administrative purposes. Recurrent expenditure for the pension scheme has shown an overall decrease in proportion to contributions received as shown in Table 1 below

Table 1 (in Kwacha millions)

Year	Contributions	Recurrent expenditure (excludes depreciation)	% of actual recurrent expenditure to contributions	Approved Budget expenditure
	K' millions	K' millions	%	%
2000	50.05	*25.72	50	*
2001	77.84	23.97	31	33
2002	99.18	32.36	33	34
2003	148.47	37.77	25	26
2004	184.19	38.91	21	27
2005	241.39	44.41	19	19
2006	292.25	46.36	15	15
2007	421.00	** 60.40 *** 80.50	14 19	15 21

* *Accounting records were combined for both NAPSA and ZNPF in year of conversion (2000)*

** *Recurrent expenditure for 2007, exclusive of depreciation and restructuring related costs*

*** *Recurrent expenditure for 2007, exclusive of depreciation and inclusive of restructuring costs*

Expenditure above excludes capital acquisitions (K3.7 billion), and member claims and refunds (K27.6 billion)

2.3 Pension Scheme

Table 2

Contributions	2007	2006	% Increase
Total number of employers	18,563	16,960	9
Cumulative number of members	985,747	860,171	14
Provisional registrations	402,236	385,146	4
Monthly average collection (Kwacha Billions)	K35.1	K24.4	44
Benefits			
Lump sum benefits (Kwacha Billions)	24.8	19	30
Pensions paid (Kwacha Billions)	3.7	0.4	825
Number of Pensioners	826	138	498

2.4 Provident Fund

The Authority also pays benefits under the repealed Zambia National Provident Fund Act. In 2007, K20.1 billion was paid out to beneficiaries, an increase of 66% over K 12.1 billion paid in 2006.

2.5 Investments

In the year 2007, the Investment Guidelines were revised to allow for more flexibility, in response to the opportunities in the economy, and a Statutory Instrument to that effect was issued.

The investment portfolio held at the end of the year is shown in Tables 3 and 4 below:

Table 3 (Pension Scheme - in Kwacha Billions)

Asset Class	2007 Net Investments Total	2007 % of total portfolio	2006 Net Investments Total	2006 % of total portfolio
Treasury bills	510.4	32	634.3	53
Government bonds	884.9	55	444.5	37
Term deposits	102.0	6	74.2	6
Equities	77.9	5	33.5	3
Fixed Interest Securities	32.0	2	19.7	2
Total	**1,607.2**	**100**	**1,206.2**	**100**

Table 4 (Provident Fund - in Kwacha Billions)

Asset Class	2007 Net Investments Total	2007 % of total portfolio	2006 Net Investments Total	2006 % of total portfolio
Treasury bills	35.3	11	76.4	38
Government bonds	37.9	12	3.1	2
Term deposits	7.7	3	5.9	3
Property investments	118.3	39	63.8	32
Equities	108.3	35	49.1	25
Total	**307.5**	**100**	**198.3**	**100**

3.0 STAFF ESTABLISHMENT

3.1 The Authority undertook a restructuring exercise, effected on 31 December 2007. In the general course of the year, the approved establishment was as shown at Table 4 below.

Table 5 (Staff establishment)

Station	Approved Staff Establishment 2007	Actual Numbers 2007	Actual Numbers 2006
Head Office	203	180	178
Northern Region	149	120	114
Southern Region	138	123	114
Total	**490**	**423**	**406**

4.0 STATEMENT ON CORPORATE GOVERNANCE

The Authority has continued to commit itself to the achievement of high standards of corporate governance. This is the system by which corporate entities are directed and controlled from within. To this end, the board of trustees approved the Corporate Governance Guidelines in January 2006.

In the year 2007 the Board of Trustees comprised seven non-executive members drawn from the institutions specified under the National Pension Scheme Act. The board was constituted in an interim capacity in July 2006, pending the appointment of a substantive board of trustees.

The Board meets at least four times a year and concerns itself with key matters. Responsibility for implementing the Authority's mandate under the National Pension Scheme Act has been delegated to Management.

In the year 2007, the Audit committee met twice with Management and the internal auditors to review the effectiveness of internal controls as well as other matters raised in regular reports to the committee.

Senior Management comprises the Director General who is an ex-officio member of the Board, and five Directors all with clearly defined roles. 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 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.

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 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.

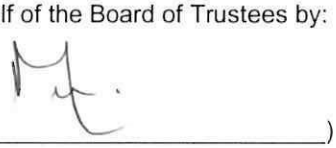
The Trustees are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The independent external auditors, PriceWaterhouseCoopers, have audited the annual financial statements and their report appears on pages 11and 12.

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 give a true and fair view of the surplus of income over expenditure of the Authority for the financial year ended 31 December 2007;
- the statement of net assets available for benefits is drawn up so as to give a true and fair view of the state of affairs of the Authority as at 31 December 2007;
- At the date of this statement there are reasonable grounds to believe that the Authority will 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 Authority Act No. 40 of 1996 and applicable International Financial Reporting Standards.

Signed on behalf of the Board of Trustees by:



)



)

) TRUSTEES

PRICEWATERHOUSECOOPERS

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National Savings &
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REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF NATIONAL PENSION SCHEME AUTHORITY

Report on the financial statements

We have audited the financial statements of National Pension Scheme Authority for the year ended 31 December 2007 set out on pages 13 to 44. These financial statements comprise the statement of net assets available for benefits as at 31 December 2007 , and the statement of changes in net assets available for benefits and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

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. 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 independent opinion on the 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 our audit to obtain reasonable assurance that 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 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 Authority'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 Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, 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 opinion.

A list of Partners is available from the above address

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the Authority's net assets available for benefits at 31 December 2007 and of the changes in net assets available for benefits and cash flows for the year then ended in accordance with International Financial Reporting Standards and the National Pension Scheme Authority Act.

Chartered Accountants
Lusaka

1 October 2008

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended 31 December 2007

Kwacha '000	Notes	Pension Scheme 2007	Pension Scheme 2006	Provident Fund 2007	Provident Fund 2006
Net assets available at beginning of year		1,247,273,413	851,535,113	216,787,896	200,946,691
Member service operations:					
Contributions receivable from members		430,954,370	296,503,131	24,016	28
Benefit claims and refunds	8	(21,128,294)	(19,092,499)	(20,181,850)	(12,135,415)
Normal retirement pensions	9	(3,786,756)	(855,892)	-	-
Maternity and funeral grants		(2,754,285)	-	(5,208)	6,762
Annuities redeemed		-	-	-	(13)
		403,285,035	276,554,740	(20,163,042)	(12,128,638)
Investment operations:					
Interest on Government Bonds	6	94,026,634	50,335,162	3,469,129	224,686
Interest on Treasury Bills	6	60,727,191	57,944,685	5,055,827	6,459,212
Interest on term Deposits		11,313,351	11,076,174	735,192	1,562,316
Interest from other investments		2,953,212	2,135,789	-	-
Management fees from Provident Fund		2,603,204	-	-	-
Interest on loans and advances		1,625,371	1,846,828	23,690	23,690
Rental income		-	-	8,796,260	7,946,173
Rental income from Pension Scheme		-	-	1,248,000	-
Dividend income		667,779	635,296	1,850,607	2,703,950
Handling fees on Government securities		(4,985,224)	(3,753,122)	-	-
Medical levy		(1,660,775)	(1,482,291)	(78,318)	(96,178)
Net exchange (losses)/ gains		(745,289)	26,080,878	2,491,366	(3,156,265)
Sundry income		73,602	123,933	8,900	-
Write back of bad debt provision		-	-	595,983	4,309,245
- Gain on disposal of investment properties		-	-	4,000,000	239,000
(Loss)/gain on revaluation of financial assets		(8,699,131)	31,269,328	(790,313)	3,411,402
Surplus on revaluation of investment property		-	-	57,642,796	-
Surplus on revaluation of property		-	-	13,581,000	-
Surplus on revaluation of investments		19,891,346	11,854,135	59,211,630	14,344,941
		177,791,271	188,066,795	157,841,749	37,972,172
Management expenses:					
Employee benefit expenses		(56,417,366)	(31,181,186)	(10,591,129)	(3,716,957)
Administration expenses		(19,217,035)	(11,593,342)	(10,376,753)	(3,980,163)
Depreciation	22	(3,778,066)	(2,852,119)	(23,035)	-
Pension costs		(1,779,134)	(1,529,866)	-	-
Interest expense		-	-	(421,094)	(421,366)
Management fees to Pension Scheme		-	-	(2,603,204)	-
Rental charges to Provident Fund		(1,248,000)	-	-	-
Loss on disposal of property, plant		-	(4,163)	-	-
and equipment		-	-	-	66,785
Bad and doubtful debts expense/provision		(1,844,775)	(576,667)	(40,831,964)	(611,291)
		(84,284,376)	(47,737,343)	(64,847,179)	(8,662,992)
Income tax expense	3	(23,752,937)	(21,145,892)	(1,333,009)	(1,339,337)
Increase in net assets		473,038,993	395,738,300	71,498,519	15,841,205
Net assets available at end of year		1,720,312,406	1,247,273,413	288,286,415	216,787,896

NATIONAL PENSION SCHEME AUTHORITY

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
at 31 December 2007

Kwacha '000	Notes	Pension Scheme 2007	Pension Scheme 2006	Provident Fund 2007	Provident Fund 2006
NET ASSETS		1,720,312,406	1,247,273,413	288,286,415	216,787,896
Represented by:					
ASSETS					
Bank and cash balances		91,424,139	19,781,281	-	-
Financial assets	10	1,607,132,306	1,206,328,380	189,324,851	134,741,426
Loans and advances	16	-	-	136,163	46,685
Employee receivables	17	14,788,475	24,234,458	-	-
Members' contributions receivables	28	20,649,204	20,137,408	-	-
Other receivables	18	9,416,250	3,682,769	3,832,148	3,344,053
Current account with NAPSA		-	-	7,347,015	19,823,288
Long term receivables	19	-	-	3,038,064	3,573,710
Inventory	20	487,457	221,210	-	-
Investment properties	21	-	-	118,312,431	63,779,635
Property, plant and equipment	22	6,369,835	6,948,215	35,849,583	22,291,617
		1,750,267,666	1,281,333,721	357,840,255	247,600,414
LIABILITIES					
Current account with ZNPF		(7,347,015)	(19,823,288)	-	-
Other payables and accruals	24	(10,320,702)	(4,587,410)	(9,467,880)	(8,872,607)
Provisions for legal claims	27	(970,360)	(970,360)	(42,690,000)	(1,924,000)
Deferred liabilities	25	(827,864)	(2,479,593)	-	
Income tax liabilities	3	(10,489,319)	(6,199,657)	(552,210)	(432,045)
Long term loan	26	-	-	(16,843,750)	(19,583,866)
		(29,955,260)	(34,060,308)	(69,553,840)	(30,812,518)
NET ASSETS		1,720,312,406	1,247,273,413	288,286,415	216,787,896

The responsibilities of the Trustees with regard to the preparation of the financial statements are set out on page 10.

The financial statements on pages 13 to 44 were approved by the Board of Trustees on 26 August 2008 and were signed on its behalf by:

TRUSTEE **TRUSTEE**

NATIONAL PENSION SCHEME AUTHORITY

CASH FLOW STATEMENT
for the year ended 31 December 2007

Kwacha '000	Notes	Pension Scheme 2007	Pension Scheme 2006	Provident Fund 2007	Provident Fund 2006
CASH FLOWS FROM OPERATING ACTIVITIES					
Increase in net assets		**473,038,993**	395,738,300	**71,498,519**	15,841,205
Adjusted for :					
Depreciation	22	**3,778,066**	2,852,119	**23,035**	-
Income tax expense	3	**23,752,937**	21,145,892	**1,333,009**	1,339,337
Dividend income		**(667,779)**	(635,296)	**(1,850,607)**	(2,703,950)
Interest income		**(166,067,176)**	(119,356,021)	**(9,260,148)**	(8,246,214)
Interest expense		**-**	-	**421,095**	421,366
Surplus on revaluation of investments		**(19,891,346)**	(11,854,135)	**(59,211,630)**	(14,344,941)
Loss/(gain) on revaluation of financial assets		**8,699,131**	(31,269,328)	**790,312**	(3,411,402)
Surplus on revaluation of investments properties		**-**	-	**(71,223,796)**	-
Gain/(loss) on disposal of property, plant and equipment		**58,583**	(62,622)	**-**	-
Exchange gains/(losses) on held to maturity investments		**-**	(26,080,878)	**-**	-
Net unrealised exchange losses/(gains) on long term loan		**-**	-	**(2,491,366)**	3,156,265
Operating cash inflows before movements in operating funds		**322,701,409**	230,478,031	**(69,971,577)**	(7,948,334)
Movement in operating assets and liabilities:					
Dividends received		**667,779**	635,296	**1,850,607**	2,703,950
Interest received		**166,067,176**	119,356,021	**9,260,148**	8,246,214
Purchase of financial assets		**(389,987,325)**	(322,434,245)	**3,837,892**	(16,892,034)
(Decrease)/increase in deferred liabilities		**(1,651,729)**	1,183,594	**-**	-
Increase in loans and advances				**(89,478)**	(23,302)
(Decrease)/increase in employee receivables		**9,445,983**	(4,368,576)	**-**	-
Increase in member's contribution receivables		**(511,796)**	(4,708,821)	**-**	-
(Increase)/decrease in other receivables		**(6,164,246)**	696,156	**11,988,178**	9,603,433
Decrease in long term receivables		**-**	-	**535,645**	471,893
(Increase)/decrease in inventories		**(266,247)**	72,500		
Gain (loss) on disposal of investments properties		**-**	-	**(4,000,000)**	(239,000)
Purchase of investment properties	21	**-**	-	**(890,000)**	(20,000)
Proceeds on disposal of investment properties		**-**	-	**-**	1,100,000
Proceeds on disposal of property, plant & equipment		**497,481**	98,042	**8,000,000**	-
Increase in other payables and accruals		**(6,367,368)**	(7,385,651)	**40,691,429**	4,435,468
Net movement in operating assets and liabilities		**(228,270,292)**	(216,855,684)	**71,184,421**	9,386,622
Income tax paid		**(19,032,510)**	(14,946,235)	**(1,212,844)**	(1,382,760)
Net cash from/ (utilized in) operations		**75,398,607**	(1,323,888)	**-**	55,528
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	22	**(3,755,749)**	(3,708,389)	**-**	(55,528)
Net cash outflows to investing activities		**(3,755,749)**	(3,708,389)	**-**	-
Net cash inflows / (outflows)		**71,642,858**	(5,032,277)	**-**	-
Cash and cash equivalents at beginning of the year		**19,781,281**	24,813,558	**-**	-
Cash and cash equivalents at end of the year		**91,424,139**	19,781,281	**-**	-

ACCOUNTING POLICIES
for the year ended 31 December 2007

1. Adoption of new and revised Standards

The Authority has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Authority's accounting policies as outlined in the note on prior year adjustment.

In 2007 IFRS 7 "Financial Instruments Disclosure" became effective for the first time. The standard has been adopted by the Authority where relevant to its operations, and introduces new disclosure requirements relating to financial instruments. This standard does not have any impact on the classification or measurements of the financial instruments.

2. Significant accounting policies

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 Zambia kwacha (K), rounded to the nearest million.

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 3.

Contributions receivable

Contributions received 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.

Dividend and interest revenue

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

2. **Significant accounting policies (continued)**

Investment income comprises interest from Government bonds, treasury bills, fixed term deposits 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

Inventories comprise mainly of stationery and are valued at the lower of cost and net realisable value.

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, is measured initially at it's 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.

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.

2. **Significant accounting policies (continued)**

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.

Employee retirement benefits

The Authority operates both a defined benefit pension scheme and a defined contribution scheme for its employees. 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 permanent employees 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.

2. **Significant accounting policies (continued)**

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.

Depreciation on revalued buildings is charged to the statement of changes in net assets.

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.

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.

2. **Significant accounting polices (continued)**

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.

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.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Authority's accounting policies, which are described in note 2, 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.

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 it's 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.

3. **Critical accounting judgments and key sources of estimation uncertainty (continued)**

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.

c) *Provisions 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 Trustee's 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 2004 and modalities are under way for the subsequent valuation as at 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

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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 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.

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.

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 has engaged an Actuary to evaluate the Pension scheme as at 31 December 2007. As the evaluation is still in progress, the last available report is as at 31 December 2004. The actuarial valuation as at that date revealed that the present value of the Authority's obligation exceeded the fair value of the assets as follows:

Pension Scheme (Kwacha Trillions)	**Short records**
Value of benefits accrued	1.24
Assets	0.64
Deficit	(0.60)
Provident Fund (Kwacha Trillions)	
Total liability	4.011
Assets	0.198
Deficit	(3.813)

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.

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

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, the tax which is withheld at source is also the final tax.

	2007	2006
Pension Scheme		
Income tax expense		
Income tax @ 15% on interest on TBs or Government bonds	**23,752,937**	21,145,892
Included under current liabilities		
Payable in respect of previous year	**6,199,657**	-
Payable in respect of the current year	**23,752,937**	21,145,892
	29,952,594	21,145,892
WHT suffered	**(19,463,275)**	(14,946,235)
Current tax liabilities	**10,489,319**	6,199,657
Provident Fund		
Income tax expense		
Income tax @ 15% on interest on TBs or Government bonds	**1,333,009**	1,339,337
Included under current liabilities		
Payable in respect of previous year	**432,045**	475,468
Payable in respect of the current year	**1,333,009**	1,339,337
	1,765,054	1,814,805
WHT suffered	**(1,212,844)**	(1,382,760)
Current tax liabilities	**552,210**	432,045

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 the 182 days Treasury bill rates + 2.5% and 3.25% margin respectively and Lunsemfwa Hydro Power bond at LIBOR + 3%.

(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 2007, a 10%,increase/decrease in the market prices for equity investments with all other variables held constant, would have resulted in the net assets available for benefits increasing/decreasing by K7,794,459 (2006:K3,356,566).

Provident fund

At 31 December 2007, a 10% increase/decrease in market prices for equity investments with all other variables held constant would have resulted in the net assets available for benefits increasing/decreasing by K 10,831,004(2006 : K4,909,763)

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Foreign exchange risk

Pension scheme

The Authority is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Dollar bonds (Lunsemfwa Hydro Power Bond and Pyramid Plaza Bond) and the Dollar bank account.

At 31 December 2007, if the Kwacha had strengthened/weakened by 5% against the US dollar with all other variables held constant, the net assets available for benefits would have been K323,632 (2006 : K 321,457) higher/lower mainly as a result of US dollar bonds and bank balances .

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 2007, if the Kwacha had strengthened/weakened by 5% against the US dollar with all other variables held constant, the net assets available for benefits would have been K3,242,241 (2006 : K 4,288,867) lower/ higher mainly as a result of the World Bank loan.

At 31 December 2007, if the Kwacha had weakened by 5% against the US dollar with all other variables held constant, the net assets available for benefits would have been K20,598,724 higher (2006 : K553,688 lower) mainly as a result of the World Bank loan.

(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.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Authority's maximum exposure to credit risk at 31 December 2007 is as follows:

	2007	2006
Pension scheme		
Cash and cash equivalents	**91,424,139**	19,781,281
Equity investments	**77,944,577**	33,565,666
Government securities	**1,395,197,935**	1,078,884,274
Fixed term deposits	**101,976,226**	5,999,446
Other stocks and bonds	**32,013,567**	19,665,020
Other receivables	**24,204,725**	27,917,227
	1,722,761,169	1,185,812,914

No collateral is held for any of the above assets.

None of the above assets are impaired except for K1,146,450 for Pyramid Plaza included in other bonds

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Provident fund		
Equity investments	**108,309,382**	49,097,751
Government securities	**73,233,392**	79,177,885
Fixed term deposits & other bonds	**32,013,567**	5,999,436
Other receivables	**3,832,149**	3,344,053
	217,388,490	137,619,125

No collateral is held for any of the above assets.

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):

Past due but not impaired:		
above 60 days	**7,931,593**	7,931,370
Total past due but not impaired	**7,931,593**	7,931,370
Provision for bad debts	**(3,134,220)**	(3,730,203)
	4,797,373	4,201,167

(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.

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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.

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	Between 2 and 5 years
Pension Scheme			
At 31 December 2007			
Payables	10,320,702	970,360	-
At 31 December 2006			
Payables	(4,587,410)	-	-
Provident Fund			
At 31 December 2007			
Long term loan	-	-	16,843,750
Payables	52,157,880	-	-
At 31 December 2006			
Long term loan	-	-	19,583,866
Payables	10,796,607	-	-

5 PRIOR YEAR ADJUSTMENT

In the year 2007, the Authority valued the plan assets at fair value in accordance with IAS 26 "Accounting and Reporting by Retirement Benefit Plans", on the basis of a yield curve emanating from long term instruments issued in the year by the Central bank. However, in the year 2006 certain plan assets were not valued at fair value as in the Authority's judgement an estimate of fair value was not possible due to the lack of existence of a reliable yield curve in the market for those assets. The assets were therefore carried at amortised cost using the effective interest rate method. Accordingly, the 2006 financial statements have been restated

Pension Scheme

The net effect of the restatement to the changes in net assets for the year ended 31 December 2006 was an increase in net assets of K30, 957,413. The restatements had no effect to the Statement of Changes in Net assets for the year ended 31 December 2007.

5 PRIOR YEAR ADJUSTMENT (CONTINUED)

Provident fund

The net effect of the restatement to the changes in net assets for the year ended 31 December 2006 was an increase in net assets of K3,414,020. The restatements had no effect to the Statement of Changes in Net Assets for the year ended 31 December 2007.

6 INVESTMENT REVENUE

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

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

Pension Scheme	**2007**	**2006**
Financial assets	**169,688,167**	120,130,146
Employee loans and advances	**1,625,371**	1,846,828
	171,313,538	121,976,974
Provident Fund		
Financial assets	**11,110,755**	10,864,349
Rental income	**10,044,256**	7,946,173
Loans and advances	**23,690**	23,690
	21,178,701	18,834,212

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7 NET EXCHANGE GAINS/(LOSSES)

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

	2007	2006
Pension Scheme		
Exchange gains	-	26,080,878
Exchange losses	(745,289)	-
Net exchange (losses)/gains	(745,289)	26,080,878
Provident Fund		
Exchange gains	2,491,366	3,156,265
Exchange losses	-	-
Net exchange gains	2,491,366	3,156,265

The Zambian Kwacha appreciated against the US Dollar and other major convertible foreign currencies during the latter part of the period.

The impact of the appreciation of the Kwacha during the period is that the Authority recorded exchange losses on its foreign currency denominated investments and bank balances.

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

Currency	Mid-market exchange rate as at 1 January 2007	Mid-market exchange rate as at 31 December 2007	Average appreciation during the year
US Dollar (1 US$ =)	ZK4,380	ZK3,850	14%

The table below illustrates the movements in the US Dollar exchange rates during 2006:

Currency	Mid-market exchange rate as at 1 January 2006	Mid-market exchange rate as at 31 December 2006	Average depreciation during the year
US Dollar (1 US$ =)	ZK3,470	ZK4,380	26%

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8 BENEFIT CLAIMS AND REFUNDS

Pension Scheme	2007	2006
Retirement refund	**5,005,826**	6,824,137
Survivors refund	**5,116,212**	4,068,579
Invalidity refund	**236,461**	238,027
	10,358,499	11,130,743
Indexed payments	**10,300,124**	7,541,753
Interest on refund	**469,671**	420,003
	10,769,795	7,961,756
	21,128,294	19,092,499

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 has not made any pension payment since inception as none of it's 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	2007	2006
Interest on benefits		
Retirement	**17,214,296**	9,418,080
Survivors	**1,500,322**	1,570,638
Age	**695,935**	595,152
Disability	**448,224**	297,884
Home ownership	**183,413**	124,122
Savings	**132,488**	112,272
Emigration	**4,022**	15,610
Contribution refunds	**2,426**	878
Supplementary savings	**-**	779
	724	-
	20,181,850	12,135,415

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

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9 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 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.

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10 FINANCIAL ASSETS

Pension Scheme	2007	2006
Treasury bills (note 11)	**510,447,397**	634,356,092
Government bonds (note 12)	**884,750,538**	444,528,182
Fixed term deposits (note 13)	**101,976,226**	74,213,420
Other stocks and bonds (note 14)	**32,013,568**	19,665,020
Equity (note 15)	**77,944,577**	33,565,666
	1,607,132,306	1,206,328,380
Provident Fund		
Treasury bills (note 11)	**35,305,037**	76,458,694
Government bonds (note 12)	**37,928,355**	3,185,534
Fixed term deposits (note 13)	**7,782,077**	5,999,446
Equity (note 15)	**108,309,382**	49,097,752
	189,324,851	134,741,426

The following financial assets exceeded 5% of Net Assets available for benefits	Pension Scheme %	Provident Fund %
Treasury bills	**30**	**12**
Government bonds	**51**	**13**
Fixed Term Deposits	**6**	**-**
Equity	**5**	**38**

11 TREASURY BILLS - MATURITY ANALYSIS

	2007	2006
Pension Scheme		
91 days	**81,297,433**	154,519,292
182 days	**155,469,992**	182,486,051
273 days	**158,839,639**	219,144,255
365 days	**114,840,333**	78,206,494
	510,447,397	**634,356,092**
Provident Fund		
91 days	**10,314,787**	30,184,068
182 days	**9,816,154**	15,832,627
273 days	**13,950,573**	27,167,132
365 days	**1,223,523**	3,274,867
	35,305,037	**76,458,694**

Interest on treasury bills is receivable on maturity at varying rates between 9% and 13%. The bills mature on diverse dates between January 2008 and December 2008.

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12 GOVERNMENT BONDS

Pension Scheme	2007	2006
1 year Government bonds	**140,779,258**	171,251,569
1.5 years Government bond	**79,308,760**	44,004,118
2 to 5 years Government bonds	**644,601,984**	229,272,495
7 to 15 years Government bonds	**20,060,536**	-
	884,750,538	444,528,182

Interest on the Government bonds is receivable semi annually at varying rates between 1% and 18%. The bonds mature on diverse dates between January 2008 and December 2022

13 FIXED TERM DEPOSITS

Pension Scheme	2007	2006
Citibank Zambia Limited	-	40,594,041
Zambia National Commercial Bank Plc	-	10,546,517
Indo-Zambia Bank Limited	**11,714,816**	9,223,608
Investrust Bank Limited	**11,002,838**	4,446,762
Intermarket Bank Corporation Zambia Limited	-	6,107,148
Cavmont Capital Bank	-	936,915
Zambia National Building Society	**4,344,083**	1,949,426
Union Bank Limited (In Liquidation)	**235,096**	235,096
United Bank of Zambia Limited (In Liquidation)	**140,517**	140,517
Finance Building Society	**2,085,480**	33,390
Stanbic Bank Zambia Limited	**31,358,836**	-
Barclays Bank Zambia Limited	**41,470,173**	-
	102,351,839	74,213,420
Less: Impairment provision	**(375,613)**	-
	101,976,226	74,213,420

Interest on fixed term deposits is receivable on maturity at varying rates between 8% and 11%. The maturity period ranges between 28 to 360 days and deposits mature on diverse dates between January 2008 and December 2008.

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13 FIXED TERM DEPOSITS (CONTINUED)

Provident Fund	2007	2006
Citibank Zambia Limited	-	8,843
Zambia National Commercial Bank Plc	-	139,145
Indo-Zambia Bank Limited	-	23,246
Investrust Bank Plc	-	2,602,225
Intermarket Bank Corporation Zambia Limited	-	-
Cavmont Capital Bank Limited Plc	**430**	2,843,132
African Banking Corporation Limited	-	353,657
Zambia National Building Society	**1,493,196**	1,502,899
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)	**399,849**	399,849
Prudence Bank Limited (In Liquidation)	**362,823**	362,823
Union Leasing Zambia Limited	**202,835**	202,835
Finance Building Society	-	-
Stanbic Bank Zambia Limited	**7,763,691**	1,550
Manifold Investment Bank Limited (In Liquidation)	**36**	36
Pan African Building Society	**128,359**	128,358
UniFinance Zambia Limited	**119,837**	119,837
	13,478,010	11,695,389
Less: Impairment provision	**(5,695,933)**	(5,695,943)
	7,782,077	5,999,446

14 OTHER STOCKS AND BONDS

Pension Scheme	2007	2006
Barclays Bank Zambia Plc ("BBZ") 7 - 12 year bond	**15,138,294**	15,239,528
Lunsemfwa Hydro Power Company Limited Bonds	**4,208,612**	4,425,492
Pyramid Plaza Limited Bonds	**1,496,657**	1,662,228
Investrust Bank	**12,832,233**	-
	33,675,796	21,327,248
Less: Impairment provision	**(1,662,228)**	(1,662,228)
	32,013,568	19,665,020
Provident Fund		
Meridien BIAO Bank Limited (In liquidation)	**11,252**	11,252
Less: Impairment provision	**(11,252)**	(11,252)
	-	-

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14 OTHER STOCKS AND BONDS (CONTINUED)

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 31.27% per annum.

Lunsemfwa Hydro Power Bonds

The Lunsemfwa Hydro Power Company Limited Bonds are six year bonds denominated in United States Dollars (0.25 floating rate bond @ US$100,000 per bond) stated at market value. Interest is payable semi-annually in United Sates Dollars at six months LIBOR plus 3% per annum.

Pyramid Plaza Bonds

This is a combination of three corporate bonds denominated in US Dollars with tenures of 3 years, 4 years and 5 years. The bonds bear annual interest rates of 10%, 11% and 12% per annum respectively.

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.

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15 FINANCIAL ASSETS - EQUITY

Pension Scheme	No. of shares	Share price	Market value 2007	Market Value 2006
British Petroleum Zambia Plc	31,402,551	910.00	**28,576,321**	23,520,510
Zambeef	2,657,044	6,400.00	**17,005,081**	-
Standard Chartered Bank	24,596,401	438.00	**10,773,224**	-
Cavmont Capital Holdings Plc	546,915,739	13.50	**7,383,362**	594,000
Metal Fabricators of Zambia Plc	10,890,519	511.64	**5,572,025**	4,466,202
Farmers House Plc	2,097,576	1,700.00	**3,565,879**	3,146,153
Zambia Sugar Plc	6,569,488	420.00	**2,759,185**	102,565
National Breweries Plc	150,000	8,200.00	**1,230,000**	900,750
Pamodzi Hotel Plc	4,056,473	171.00	**693,657**	661,611
British American Tobacco Zambia Plc	155,048	1,550.00	**240,324**	69,943
African Explosives Plc	69,288	2,100.20	**145,519**	103,932
			77,944,577	33,565,666
Provident Fund				
Zambia Sugar Plc	111,831,786	420	**46,969,350**	20,140,905
Standard Chartered Bank Zambia Plc	62,834,139	438	**27,521,353**	10,059,745
Chilanga Cement Plc	3,781,934	6,220	**23,523,629**	11,345,802
National Breweries Plc	1,250,000	8,200	**10,250,000**	7,506,250
Commerce Bank Limited (In Liquidation)			**2,157,780**	2,157,780
Development Bank of Zambia	4,505	10,000	**45,050**	45,050
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
Zambia Consumer Buying			**-**	-
			110,470,312	51,258,682
Less: Impairment provision			**(2,160,930)**	(2,160,930)
			108,309,382	49,097,752

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16 LOANS AND ADVANCES

Provident Fund	2007	2006
Government loans	828,912	739,436
Parastatal and private sector	88,227	88,227
Local authority loans	7,717	7,715
	924,856	835,378
Less: Impairment provision	(788,693)	(788,693)
	136,163	46,685

17 EMPLOYEE RECEIVABLES

Pension Scheme		
Housing loans	9,734,413	17,291,311
Vehicle loans	3,042,210	3,896,434
Personal loans	877,145	1,520,171
Other staff loans	1,143,388	2,085,057
	14,797,156	24,792,973
Bad debts provision	(8,681)	(558,515)
	14,788,475	24,234,458

The interest rates and maturities of the loans are detailed below. The loans are marked to market rates and the advance employee benefit is accounted for over the period of the loan in the income statement.

	Interest rate %	Maturity
Housing loans	6.5	Age to retirement
Vehicle loans	5.0	5 years
Personal loans	5.0	5 years
Self liquidating loans	-	4 years

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18 OTHER RECEIVABLES

Pension Scheme	2007	2006
Return to drawer cheques	**2,880,820**	2,301,785
Other receivables	**9,244,730**	1,945,247
Dividend receivables	**166,004**	36,437
Prepayments	**164,704**	36,950
	12,456,258	4,320,419
Bad debts provision	**(3,040,008)**	(637,650)
	9,416,250	3,682,769
Provident Fund		
Rental debtors	**7,931,593**	7,931,369
Interest receivable	**-**	97,337
Return to drawer cheques	**154,583**	154,583
Dividends	**465,224**	507,549
Others receivables	**31,550**	-
	8,582,950	8,690,838
Bad debts provision	**(4,750,802)**	(5,346,785)
	3,832,148	3,344,053

19 LONG TERM RECEIVABLES

At beginning of year	**3,573,710**	4,045,603
Rental income	**(491,384)**	(596,425)
Expenses	**21,702**	124,532
Amortisation	**(65,965)**	-
At end of year	**3,038,064**	3,573,710

The Authority is entitled under a court ruling 1993/HP/4201 of 1993 to charge interest on late settlement of amounts recoverable from a certain third party. The principal amount at the time of the ruling was K1,352 million. The debtor has disputed the use of compound interest in computing the amount due.

The principle amount inclusive of compound interest amounted to K128 billion as at 31 December 2007. The amount recoverable after applying simple interest at prevailing market rates is K3, 038 million. The Authority has set off against this balance rental income due to the third party and collected by the Authority on behalf of the third party.

20 INVENTORY

Inventories comprise mainly of stationery. An allowance has been made for defective, slow moving and obsolete inventories of **ZK128 million** (2006: ZK128 million).

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21 INVESTMENT PROPERTIES (CONTINUED)

Provident Fund	2007	2006
At beginning of year	**63,779,635**	64,620,635
Disposals	**(4,000,000)**	(861,000)
Additions	**890,000**	20,000
Revaluation surplus	**57,642,796**	-
At end of year	**118,312,431**	63,779,635

The property rental income earned by the Authority from its investment property, all of which is leased out under operating leases, amounted to ZK10,044,258 million (ZK1,248,000 million from Napsa); (2006:ZK7,924,534 million). Direct operating expenses arising on investment property in the year amounted to ZK641 million (2006: ZK410 million).

22 PROPERTY, PLANT AND EQUIPMENT

Pension Scheme Cost	Motor vehicles	Office furniture, equipment and fittings	Total
At 1 January 2006	5,702,826	10,949,725	16,652,551
Additions	1,691,522	2,016,870	3,708,392
Disposals	(238,997)	-	(238,997)
At 31 December 2006	**7,155,351**	**12,966,595**	**20,121,946**
At 1 January 2007	7,155,351	12,966,595	20,121,946
Additions	1,919,237	1,836,512	3,755,749
Disposals	(1,130,121)	-	(1,130,121)
At 31 December 2007	**7,944,467**	**14,803,107**	**22,747,574**
Depreciation			
At 1 January 2006	3,500,245	7,024,943	10,525,188
Charge for year	1,278,727	1,573,392	2,852,119
Eliminated on disposal	(203,576)	-	(203,576)
At 31 December 2006	**4,575,396**	**8,598,335**	**13,173,731**
At 1 January 2007	4,575,396	8,598,335	13,173,731
Charge for year	844,853	2,933,213	3,778,066
Eliminated on disposal	(570,308)	(3,750)	(574,058)
At 31 December 2007	**4,849,941**	**11,527,798**	**16,377,739**
Carrying amount **At 31 December 2007**	**3,094,526**	**3,275,309**	**6,369,835**
At 31 December 2006	2,579,955	4,368,260	6,948,215

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22 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Provident Fund

Cost	Buildings	Motor vehicles	Office furniture, equipment and fittings	Total
At 1 January 2006	22,137,473	1,337,379	4,065,627	27,540,479
Additions	-	-	55,526	55,526
Disposals	-	(195,857)	-	(195,857)
At 31 December 2006	**22,137,473**	**1,141,522**	**4,121,153**	**27,400,148**
At 1 January 2007	22,137,473	1,141,522	4,121,153	27,400,148
Revaluations	13,581,001	-	-	13,581,001
Disposals	-	-	-	-
At 31 December 2007	**35,718,474**	**1,141,522**	**4,121,153**	**40,981,149**
Depreciation				
At 1 January 2006	-	1,337,378	3,967,010	5,304,388
Charge for year	-	-		
Eliminated on disposal	-	(195,857)	-	(195,857)
At 31 December 2006	-	1,141,521	3,967,010	5,108,531
Depreciation				
At 1 January 2007	-	1,141,521	3,967,010	5,108,531
Charge for year	-	-	23,035	23,035
Eliminated on disposal	-	-	-	-
At 31 December 2007	**-**	**1,141,521**	**3,990,045**	**5,131,566**
Carrying amount				
At 31 December 2007	**35,718,474**	**-**	**131,109**	**35,849,583**
At 31 December 2006	22,137,473	-	154,143	22,291,617

23 CAPITAL COMMITMENTS

As at 31 December 2007 the Authority had capital commitments of approximately ZK5.9 billion. (2006: ZK2 billion).

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24 OTHER PAYABLES AND ACCRUALS

	2007	2006
Pension Scheme		
Sundry payables	**465,311**	4,020,525
Accrued expenses	**9,855,391**	566,885
	10,320,702	4,587,410
Provident Fund		
Sundry payables	**5,544,242**	8,752,607
Accrued expenses	**3,923,638**	120,000
	9,467,880	8,872,607

25 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:

	2007	2006
At beginning of year	**2,479,593**	1,295,999
Charge for the year	**683,196**	1,183,594
Paid during the year	**(2,334,925)**	-
At end of year	**827,864**	2,479,593

26 LONG TERM LOAN

	2007	2006
Provident Fund		
At beginning of year	**19,583,866**	15,181,250
Interest accrued/reversed	**(421,366)**	421,366
Net exchange (gain)/loss	**(2,318,750)**	3,981,250
At end of year	**16,843,750**	19,583,866

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

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26 LONG TERM LOAN (CONTINUED)

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.

27 PROVISIONS FOR LEGAL CLAIMS

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

28 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% each of the gross earnings into the Scheme.

The Authority's policy requires that contribution income is accounted for on the basis of receipts from 11 January of each year to 10 January of the following year. Contribution income from 1 January to 10 January 2008 amounted to K20, 649,204 (2006: K20,137,408)

29 RETIREMENT BENEFITS

The Authority maintains both a defined benefit and defined contribution pension scheme, established to provide retirement benefits for employees. The Authority's contribution to the two schemes for the year ended 31 December 2007 was ZK1,779 million (2006: ZK1,530 million).

30 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 decisions.

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.

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30. RELATED PARTY TRANSACTIONS (CONTINUED)

The net effect of related party transactions on the results for the year ended 31 December 2007 are as follows:

	2007	2006
Amounts due from Government		
Rental income	**1,254,072**	1,974,187
Government loans	**187,463**	739,435
Parastatal and private sector	**88,227**	88,227
Interest receivable on Government loans	**23,690**	23,690
Local authority loans	**2,918**	7,715
	1,556,370	2,833,254
Other		
Amount due from Staff Pension Scheme	**6,367,322**	-
Fees paid to Trustees	**469,166**	239,715

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 and the Government.

Compensation of key management personnel
The remuneration of directors and other members of key management during the year was as follows:

	2007	2006
Short term employee benefits	**2,334,925**	3,028,285
Post employment benefits	**-**	1,017,003

31 CONTINGENT LIABILITIES

Other than the liability to pay pensions and other benefits there were no contingent liabilities of the Scheme as at 31 December 2007, as all other deemed likely to crystalise have been provided for.

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX I - INCOME STATEMENT
for the year ended 31 December 2007

Kwacha '000

	Pension Scheme		Provident Fund	
	2007	2006	**2007**	2006
Member service operations:				
Contributions receivable from Members	**430,954,370**	296,503,131	**24,016**	28
Benefit claims and refunds	**(23,882,579)**	(19,092,499)	**(20,187,058)**	(12,135,416)
Normal retirement pensions	**(3,786,756)**	(855,892)	**-**	6,762
Annuities redeemed	**-**	-	**-**	(13)
	403,285,035	276,554,740	**(20,163,042)**	(12,128,639)
Investment operations:				
Investment revenue				
- Interest on Government bonds	**94,026,634**	50,335,162	**3,469,129**	224,686
- Interest on treasury bills	**60,727,191**	57,944,685	**5,055,827**	6,459,212
- Interest on term deposits	**11,313,351**	11,076,174	**735,192**	1,562,316
- Other investments	**2,953,212**	2,135,789	**-**	-
- Rental income	**-**	-	**10,044,260**	7,946,173
- Dividend income	**667,779**	635,296	**1,850,607**	2,703,950
Handling fees	**(4,985,224)**	(3,753,122)	**-**	-
Medical levy	**(1,660,775)**	(1,482,291)	**(78,318)**	(96,178)
Surplus on revaluation of investments	**19,891,346**	-	**13,581,000**	-
Surplus on revaluation of Investment properties	**-**	-	**57,642,796**	-
Surplus on revaluation of financial assets	**-**	11,854,135	**59,211,630**	14,344,941
Interest on loans and advances	**1,625,371**	1,846,828	**23,690**	23,690
Fair value (loss) / gain on financial assets	**(8,699,131)**	31,269,328	**(790,313)**	3,411,402
	175,859,754	161,861,984	**150,745,500**	36,580,193
Other operating income:				
- Exchange (losses)/gains	**(745,289)**	26,080,878	**2,491,366**	(3,156,265)
- Gain (loss) on disposal of plant and equipment	**-**	(4,163)	**-**	66,785
- Gain (loss) on disposal of investment properties	**-**	-	**4,000,000**	239,000
-Management fees from Provident Fund	**2,603,204**	-	**-**	-
- Write back of bad debt provision	**-**	-	**595,983**	4,309,244
- Sundry income	**73,602**	123,933	**8,900**	-
	1,931,517	26,200,648	**7,096,249**	1,458,764
Management and administration expenses:				
- Employee benefit expenses	**(56,417,366)**	(31,181,186)	**(10,591,129)**	(3,716,957)
- Administration expenses	**(20,465,035)**	(11,593,342)	**(12,979,957)**	(3,980,163)
- Pension cost	**(1,779,134)**	(1,529,866)	**-**	-
- Bad and doubtful debts provision	**(1,844,775)**	(576,667)	**(40,831,964)**	(611,291)
- Depreciation	**(3,778,066)**	(2,852,119)	**(23,035)**	-
	(84,284,376)	(47,733,180)	**(64,426,085)**	(8,308,411)
Surplus of income over expenditure before finance costs and taxation	**496,791,930**	416,884,192	**73,252,622**	17,601,907
Interest expense	**-**	-	**(421,094)**	(421,366)
	496,791,930	416,884,192	**72,831,528**	17,180,541
Surplus of income over expenditure for year before taxation	**496,791,930**	416,884,192	**72,831,528**	17,180,541

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX II - BALANCE SHEET
at 31 December 2007

Kwacha '000

	Notes	Pension Scheme		Provident Fund	
		2007	2006	2007	2006
ASSETS					
Bank and cash balances		**91,424,139**	19,781,281	**-**	-
Financial assets	10	**1,607,132,306**	1,206,328,380	**189,324,851**	134,741,426
Loans and advances	16	**-**	-	**136,163**	46,685
Employee receivables	17	**14,788,475**	24,234,458	**-**	-
Members' contributions receivables		**20,649,204**	20,137,408	**-**	-
Other receivables	18	**9,416,250**	3,682,769	**3,832,148**	3,344,053
Current account with NAPSA		**-**	-	**7,347,015**	19,823,288
Long term receivables	19	**-**	-	**3,038,064**	3,573,710
Inventory	20	**487,456**	221,210	**-**	-
Investment properties	21	**-**	-	**118,312,431**	63,779,635
Property, plant and equipment	22	**6,369,835**	6,948,215	**35,849,583**	22,291,617
TOTAL ASSETS		**1,750,267,665**	1,281,333,721	**357,840,255**	247,600,414
LIABILITIES					
Current account with ZNPF		**7,347,015**	19,823,288	**-**	-
Other payables and accruals	24	**10,320,701**	4,587,410	**9,467,880**	8,872,607
Provisions for legal claims	27	**970,360**	970,360	**-**	1,924,000
Deferred liabilities	25	**827,864**	2,479,593	**42,690,000**	-
Current tax liabilities		**10,489,319**	6,199,657	**552,210**	432,045
Long term loan		**-**	-	**16,843,750**	19,583,866
		29,955,259	34,060,308	**69,553,840**	30,812,518
ACCUMULATED FUNDS					
Accumulated funds		**1,676,593,196**	1,223,445,549	**-**	-
Members' funds		**-**	-	**26,913,429**	47,067,571
Investment revaluation reserve		**43,719,210**	23,827,864	**102,478,148**	43,266,518
Property revaluation reserve		**-**	-	**71,223,796**	-
Other reserves		**-**	-	**87,644,441**	126,427,206
Annuity account		**-**	-	**26,601**	26,601
		1,720,312,406	1,247,273,413	**288,286,415**	216,787,896
TOTAL LIABILITIES AND ACCUMULATED FUNDS		**1,750,267,665**	1,281,333,721	**357,840,255**	247,600,414

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX III - STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
for the year ended 31 December 2007

Kwacha '000

Pension Scheme	Investment revaluation reserves K'000	Accumulated funds K'000	Total K'000
Balance at 1 January 2006	11,973,729	839,561,384	851,535,113
Surplus of income over expenditure for year	-	352,926,753	352,926,753
Surplus on revaluation of equity	11,854,135	-	11,854,135
Balance at 31 December 2006 as previously stated	23,827,864	1,192,488,137	1,216,316,001
Prior year adjustment	-		
Adjustment from fair valuation of Government bonds	-	(648,111)	(648,111)
Adjustment from fair valuation of Treasury bills	-	(6,785,546)	(6,785,546)
Adjustment on accrued Interest upon fair valuation of Govt bonds	-	19,532,428	19,532,428
Adjustment on accrued interest upon fair valuation of Treasury bills	-	18,858,641	18,858,641
Balance at 31 December 2006 as restated	23,827,864	1,223,445,549	1,247,273,413
Balance at 1 January 2007	23,827,864	1,223,445,549	1,247,273,413
Surplus of income over expenditure for year	-	453,147,647	453,147,647
Surplus on revaluation of equity	19,891,346	-	19,891,346
Balance at 31 December 2007	43,719,210	1,676,593,196	1,720,312,406

NATIONAL PENSION SCHEME AUTHORITY

APPENDIX III - STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS (CONTINUED) for the year ended 31 December 2007

Kwacha '000

Provident Fund

	Annuity account K'000	Members' funds K'000	Property revaluation reserve K'000	Investment revaluation reserve K'000	Other reserves K'000	Total K'000
Balance at 1 January 2006	26,614	59,202,959	21,782,584	28,921,577	91,012,957	200,946,691
						-
Statutory contributions received	-	28	-	-	-	28
Benefit claims and refunds (note 6)	-	(12,135,416)	-	-	-	12,135,416)
Maternity and funeral grants	-	-	-	-	(6,762)	(6,762)
Deficit on revaluation of property, plant and equipment	-	-		-	-	-
Surplus on revaluation of investments	-	-	-	14,344,941	-	14,344,941
movement in the year	-	-	-	-	1,467,371	1,467,371
Annuities redeemed	(13)	-	-	-	-	(13)
Surplus of income over expenditure for year	-	-	-	-	8,757,036	8,757,036
Amortisation of revaluation surplus	-	-	(259,217)	-	259,217	-
Transfer to General reserves	-	-	(21,532,367)	-	21,523,367	-
Balance at 31 December 2006 as previously stated	26,601	47,067,571	-	43,266,518	123,013,186	213,373,876
Prior year adjustment	-	-	-	-	-	-
- Adjustment from fair valuation of Government bonds	-	-	-	-	(231,422)	(231,422)
- A-djustment from fair valuation of Treasury bills	-	-	-	-	-	-
- Adjustment on accrued Interest upon fair valuation of Govt bonds	-	-	-	-	1,197,138	1,197,138
- Adjustment on accrued interest upon fair valuation of Treasury bills	-	-	-	-	2,267,130	2,267,130
Balance at 31 December 2006 as restated	26,601	47,067,571	-	43,266,518	126,427,206	216,787,896
Balance at 1 January 2007	26,601	47,067,571		43,266,518	126,427,206	216,787,896
						-
Statutory contributions received	-	24,016	-	-	-	24,016
Interest on contribution income		8,900				8,900
Benefit claims and refunds (note 6)	-	(20,181,850)	-	-	-	(20,181,850)
Maternity and funeral grants	-	(5,208)	-	-		(5,208)
Write back on bad debt reserve					595,983	595,983
Surplus on revaluation of property, Investment property	-	-	71,223,796	-	-	71,223,796
Surplus on revaluation of investments	-	-		59,211,630	-	59,211,630
movement in the year	-		-	-		-
Annuities redeemed		-	-	-	-	-
Surplus of income over expenditure for year	-	-	-	-	(39,378,748)	(39,378,748)
Amortisation of revaluation surplus	-	-	-	-	-	-
Balance at 31 December 2007	26,601	26,913,429	71,223,796	102,478,148	87,644,441	288,286,415

Notes to appendices

Annuity account

In accordance with Regulation 3 of the now repealed Zambia National Provident Fund (Annuity) Regulations, the annuity account is maintained as a separate account. Capital sums paid by employers to purchase annuities, and Members' accounts converted into annuities, are credited to this account together with interest at the average rate earned on the total assets of the Fund each year. Payments of annuities and administrative expenses are charged to the annuity account in accordance with the Regulation.

Special reserve

The now repealed Zambia National Provident Fund (Amendment) Act, 1973 empowered the Board of Trustees to establish special reserves to provide for contingencies, interest equalisation, payments to Members whose contributions have not been received from employers and additional benefits to Members in the form of maternity and funeral grants. Appropriations are made by the Board from the income and expenditure account and payments are charged directly to the special reserve account.

Member's funds

The members funds under the Provident Fund represent the contributions received from members to date.

Contributions under the Provident Fund are accounted for on a cash basis. Contributions received are reflected as part of the members' funds.

Benefit payments under the Provident Fund are also accounted for through the members' fund account and not through the statement of changes in net assets available for benefits.