NATIONAL PENSION SCHEME AUTHORITY

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011



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.

Country-wide NAPSA Offices



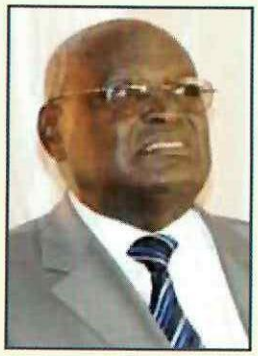
AREA/STATION	CONTACT NUMBER
Lusaka	+260-1-221677
Kafue	+260-1-311555
Kabwe	+260-5-221379/+260-5-223129
Mkushi	+260-5-362091
Ndola	+260-2-610849
Luanshya	+260-2-512252
Kitwe	+260-2- 224009/+260-2-223361
Mufulira	+260-2-411078/+260-2-411654
Chingola	+260-2-311823/+260-2-312839
Solwezi	+260-8-821576/+260-8-821342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

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BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS

Board of Trustees



Mr. Dominic N Mbangu
Chairperson
Appointed 23 September 2010
Retired 4 October 2011



Ms. Irene M Muyenga
Vice-Chairperson
(Zambia State Insurance Corporation)
Retired 10 August 2009
Reappointed 23 September 2010
Retired 4 October 2011



Mr. Timothy Hakuyu
Member
Appointed 28 April 2011
Retired 4 October 2011



Mr. Leonard Hikaumba
Member
(Zambia Congress of Trade Unions)
Retired 10 August 2009
Reappointed 23 September 2010
Retired 4 October 2011



Mr. Trevor Kaunda
Retired 10 August 2009
(Alternate – Ministry of Labour & Social Security)
Reappointed 23 September 2010
Retired 4 October 2011



Mr. Cosmas Mwananshiku
Member
(Investment & Management Solutions)
Appointed 23 September 2010
Retired 4 October 2011

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS (CONTINUED)



Ms. Monde F Sitwala
Member
(Ministry of Finance & National Planning)
Appointed 24 November 2010
Retired 4 October 2011



Mr. Oswell B Munyenyembe (Deceased)
Member
(Mine Workers Union of Zambia)
Appointed 23 September 2010
Retired 4 October 2011



Mr. Alfred Masupha
Member
(Zambia Federation of Employers)
Retired 10 August 2009
Reappointed 23 September 2010
Retired 4 October 2011



Ms. Kutemba Konga
Member
Appointed 23 September 2010
Retired 4 October 2011



Mr. Stanley Z Phiri
Ex Officio
(Director General)

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS (CONTINUED)

Senior Management



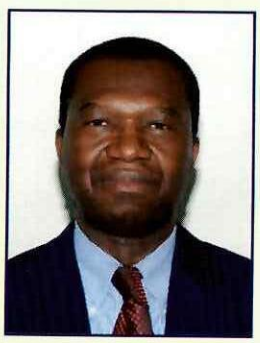
Mr. Stanley Z Phiri
Director General



Ms. Chishala Kapaya
Director Administration
& Information Technology



Mrs. Mutnta Mulonda
Authority Secretary



Mr. Joseph Ngosa
Director Investments



Mr. Yollard Kachinda
Director Contributions



Mr. Astley Mbangweta
Director Human
Resource



Mrs. Kapambwe D Chiwele
Director Finance



Mr. Lloyd Chembo
Director Internal Audit



Dr. Ceylon Mudenda
Director Benefits

BOARD OF TRUSTEES, SENIOR MANAGEMENT AND ADVISORS (CONTINUED)

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 2011

The Trustees present their report for the year ended 31 December 2011.

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 became operational in February 2000, and 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 (ZNPF).

1.2 Role in the national economy

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

2.0 Operational performance for the year 2011

2.1 Pension Scheme

The net assets available for benefits at 31 December 2011 increased overall by 23%, to K4.8 trillion, from K3.9 trillion in 2010. The main components impacting on performance were as follows:

i) Investment operations

The Scheme recorded net investment income of K284 billion, a decrease of 7% from the 2010 figure of K304 billion. The reduction is attributable in the main, to investment returns foregone upon investing fresh funds into real estate projects, whose returns will only commence after the projects are completed. Further, the Scheme recorded a net loss of K161 billion in the value of the bond book as a result of fair valuation as at 31 December 2011. On the other hand, the positive performance on the Lusaka Stock Exchange resulted in gains of K81 billion on the listed shares. The combination of these two factors resulted in the net loss on revaluation of financial assets of K80 billion, compared to K46.6 billion at 31 December 2010.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2011

ii) Contributions collected

The Scheme collected K1 trillion in contributions, an annual increase of K223 billion (28%) from 2010.

iii) Management expenses

The Authority recorded management recurrent expenses of K142 billion, an increase of K25 billion (22%) from 2010. The result was a favourable variance of 32% against the budget expenditure of K162 billion.

2.2 Provident Fund

The provident fund recorded an overall decrease of 12% in net assets available for benefits, from K217 billion at 1 January 2011 to K191 billion at 31 December 2011. The main components impacting on performance included the following:

i) Contributions collectable

The Fund does not have fresh fund inflows from member contributors, following the repeal of the Zambia National Provident Fund Act. It is consequently depleting in nature as the income streams are eroded.

ii) Investment operations

The Fund recorded net investment income of K26 billion, a reduction of K1 billion (12%) from 2010. Upon revaluation of financial assets and equity, the Fund recorded net gains of K15 billion, whilst it recorded a loss of K2.3 billion on disposal of properties.

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. The Board of Trustees of the Authority has over the years pro-actively reviewed the structure of the ceiling, to allow for the Scheme to operate effectively. In the year 2011, the structure of the expenditure ceiling was changed from 9% of contributions collected and 1% of funds held under investment, to 15% of contributions collected as well as K30 billion allowable for capital expenditure.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2011

4.0 Summary financial performance for 2011

4.1 The performance of the pension scheme for the year ended 31 December 2011 is shown in Table 1 below:

Table 1

	31 December 2011 K' billions	31 December 2010 K' billions	Variance K' Millions	Variance %
Recurrent expenditure	141.2	116.2	25	21
Capital expenditure	8.4	5.6	2.8	50
	149.6*	**121.8**	**27.8**	**23**
Total Budget	**197.1**	**120.2**	**76.9**	**64**

**Initial expenditure before depreciation was at K144.3 billion (2010 – K117 billion) and within budget.*
Depreciation for the year was K5.3 billion (2010 - K4.7 billion).

5.0 Member service operations

5.1 Pension Scheme

Table 2 Contributions	2011	2010	% Increase
Total number of employers	27,578	24,079	15
Cumulative number of members	1,522,192	1,307,417	16
Provisional registrations	45,206	90,782	(50)
Monthly average collection (Kwacha Billions)	87.5	67	30
Benefits			
Lump sum benefits (Kwacha Billions)	86.1	60.0	13
Pensions paid (Kwacha Billions)	56.2	36.6	51
Number of Pensioners	5,970	4,279	40

5.2 Provident Fund

The Authority also pays benefits under the repealed Zambia National Provident Fund Act. In 2011, K48.9 billion was paid out in claims benefits compared to K50.4 billion in 2010, representing a reduction of 3%.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2011

6.0 Investments

The Investment portfolio held at the end of the year 2011 is shown in tables 3 and 4 below. These numbers do not include investments in real estate developments as they are still work in progress and amounted to K1,420 billion at 31 December 2011, an increase of 85% over the 2010 carrying amount of K767 billion.

Table 3 (Pension Scheme – in Kwacha billions)

Asset Class	**2011 Net Investments Total**	**2011 % of total portfolio**	2010 Net Investments Total	2010 % of total portfolio
Government Bonds	1684	56	1466	52
Term Deposits	626	21	646	23
Equities	353	12	270	10
Treasury Bills	291	10	414	16
Fixed Interest Securities	41	1	41	1
	2995	**100**	2836	100

Table 4 (Provident Fund – in Kwacha Billions)

Asset Class	**2011 Net Investments Total**	**2011 % of total portfolio**	2010 Net Investments Total	2010 % of total portfolio
Investment Properties	143	39	144	39
Equities	112	25	92	25
Term Deposits	37	4	16	4
Treasury Bills	13	27	99	27
Government Bonds	10	5	20	5
	315	**100**	373	100

7.0 Staff establishment

7.1 The approved establishment as at 31 December 2011 was as shown at Table 5 below.

Table 5 (Staff establishment)

	31 December 2011	**31 December 2010**
Approved Staff Establishment	393	384
Actual Numbers	368	347

7.2 Various staff training interventions were implemented in the course of the year 2011.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2011

8.0 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 projects. The Authority also provides sponsorship of major sporting events and major cultural and traditional ceremonies.

9.0 Statement on Corporate Governance

9.1 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.

9.2 During the period under review, the Board of Trustees (comprising the Members of the Authority), met twelve (12) 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.

9.3 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.

9.4 The Committees of the Board were as follows:

10.0 Audit Committee

10.1 The Audit Committee was composed of the following Members:

- Mr. Cosmas Mwananshiku
- Mr. Oswell Munyenyembe
- Mr Timothy Hakuyu
- Ms. Monde F Sitwala

10.2 During the period under review, the Audit Committee met three (03) times to consider audit issues and make appropriate recommendations to the Authority.

REPORT OF THE BOARD OF TRUSTEES
for the year ended 31 December 2011

11.0 Finance & Investments Committee

11.1 The Finance & Investments Committee was composed of the following Members:

- Ms. Irene Muyenga
- Mr. Cosmas Mwananshiku
- Mr Timothy Hakuyu
- Ms. Monde F Sitwala
- Mr. Leonard Hikaumba
- Mr. Daniel Mhango*
- Dr George Chabwera*

11.2 In 2011, the Finance & Investments Committee met six (06) times to consider investment proposals, make investment decisions and make appropriate recommendations to the Authority.

12.0 Staff Affairs Committee

12.1 The Staff Affairs Committee was composed of the following members:

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

12.1 During the period under review, the Staff Affairs Committee met fifteen (15) times to consider matters relating to staff.

13.0 Senior Management comprised the Director General appointed by the Minister of Labour, Youth and Sport who is the Chief Executive Officer of the Authority and who is, subject to the control of the Board, responsible for the day to day administration of the Authority. The Director General is supported by seven (07) Directors who each head a Directorate and the Authority Secretary.

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 2011;
- 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 2011;
- 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.

Approval of the financial statements

The financial statements of the Authority as indicated above, were approved by the Trustees on ..26 June.....2012..... and are signed on its behalf by:

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 2011 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 15 to 52.

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 2011 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

H C Nondo

Henry C Nondo
Partner

26 June ***2012***
Lusaka

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended 31 December 2011

All figures are stated in Kwacha'000

Kwacha '000	Pension Scheme		Provident Fund	
	2011	2010	**2011**	2010
Net assets available at beginning of year	**3,953,737,933**	3,136,978,854	**216,594,694**	200,358,774
Member service operations:				
Contributions receivable/ arrears	**1,029,077,278**	806,143,029	**-**	-
Pension claims and withdrawals	**(80,934,999)**	(55,266,529)	**(48,935,922)**	(50,408,516)
Normal retirement pensions	**(56,262,958)**	(36,682,263)	**-**	-
Maternity and funeral grants	**(5,189,474)**	(4,815,879)	**(6,261)**	(8,426)
	886,689,847	709,378,358	**(48,942,183)**	(50,416,942)
Investment operations:				
Investment revenue				
Interest on Government bonds	**192,896,551**	178,489,192	**970,999**	1,777,122
Interest on treasury bills	**31,671,278**	42,744,745	**2,197,359**	8,751,310
Interest on term deposits	**52,528,349**	67,668,279	**3,803,126**	3,196,716
Other investments	**4,543,995**	5,709,393	**-**	-
Rental income	**2,958,625**	-	**15,882,575**	10,533,999
Dividend income	**7,152,171**	9,833,181	**4,824,091**	2,847,997
Interest on loans and advances	**1,098,230**	1,059,518	**23,690**	23,690
Rental Income NAPSA	**-**	-	**-**	1,248,000
Management fees ZNPF	**1,957,025**	1,822,099	**-**	-
Handling fees	**(7,310,083)**	(2,552,367)	**(20,935)**	(115,519)
Medical Levy	**(2,721,896)**	(3,085,791)	**(102,853)**	(124,481)
Net exchange (losses)/ gains	**(1,469,299)**	1,294,555	**(1,476,530)**	(751,335)
Sundry income	**(255,591)**	239,163	**-**	-
(Write off)/write back of bad debt provision	**(429,316)**	1,225,849	**-**	-
Loss on disposal of investment properties	**-**	-	(2,312,983)	-
Gain/(loss) on disposal of shares	**-**	8,884,473		192,676
(Loss)/gain on revaluation of financial assets	**(79,914,186)**	(46,636,194)	**14,639,079**	(4,924,564)
Surplus on revaluation of Investment Property		-	**-**	45,243,217
Surplus on revaluation of Property	-	-	-	11,372,691
	202,705,853	266,696,095	**38,427,618**	79,271,519

The notes on pages 20 to 52 form part of these financial statements

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
for the year ended 31 December 2011

All figures are stated in Kwacha'000

Kwacha '000	Pension Scheme		Provident Fund	
	2011	2010	**2011**	2010
Management expenses:				
Employee benefit expenses	**(92,314,277)**	(72,830,453)		-
Administration expenses	**(36,925,729)**	(32,337,224)	**(10,644,899)**	(10,207,686)
Depreciation	**(5,333,664)**	(4,725,684)	**(476)**	(6,472)
Pension costs	**(5,100,988)**	(4,380,495)	**-**	-
Interest expense	**-**	-	**(533,887)**	(534,707)
Management fees ZNPF	**-**	-	**(1,963,524)**	(1,822,099)
Rental Charges ZNPF	**(1,435,000)**	(1,248,000)	**-**	-
(Loss)/gain on disposal of property, plant and equipment	**(87,714)**	(688,589)	**(95,744)**	10,501
Bad debts expense and doubtful debts	-	-	**(1,348,339)**	1,499,703
	(141,197,372)	(116,210,445)	**(14,586,869)**	(11,060,760)
Withholding tax	**(38,063,912)**	(43,104,929)	**(856,175)**	(1,557,898)
Increase in net assets	**910,134,416**	816,759,079	**(25,957,609)**	16,235,920
Net assets available at end of year	**4,863,872,350**	3,953,737,933	**190,637,086**	216,594,695

The notes on pages 20 to 52 form part of these financial statements

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
at 31 December 2011

All figures are stated in Kwacha'000

Kwacha '000	Note	Pension Scheme 2011	Pension Scheme 2010	Provident Fund 2011	Provident Fund 2010
NET ASSETS		**4,863,872,350**	3,953,737,933	**190,637,086**	216,594,695
Represented by:					
ASSETS					
Bank and cash balances		**106,094,439**	215,298,926	**17,320,624**	41,053
Financial assets	9	**2,994,823,085**	2,836,498,614	**172,209,750**	228,117,858
Loans and advances	15	**9,401,644**	9,701,644	**-**	-
Employee receivables	16	**4,998,944**	5,826,542	**-**	-
Members' contributions receivables	26	**59,465,262**	42,985,768	**-**	-
Other receivables	17	**232,233,410**	5,912,732	**11,396,698**	16,514,630
Current account with ZNPF		**112,109,522**	131,364,877	**-**	-
Inventory	18	**134,404**	309,888	**-**	-
Investment properties	19	**-**	-	**142,548,152**	144,496,368
Property, plant and equipment	20	**1,436,487,830**	781,106,051	**47,116,700**	47,213,580
		4,955,748,540	4,029,005,041	**390,591,924**	436,383,489
LIABILITIES					
Current account with NAPSA		**-**	-	**(112,109,522)**	(131,364,877)
Other payables and accruals	22	**(57,065,868)**	(41,083,966)	**(17,976,527)**	(19,256,546)
Provisions for claims payable	25	**(13,873,103)**	(11,450,000)	**(44,654,424)**	(45,400,000)
Deferred liabilities	23	**(2,101,486)**	(2,132,689)	**-**	-
Income Tax liabilities		**(18,835,733)**	(20,600,452)	**(2,858,114)**	(2,679,871)
Long term loan	24	**-**	-	**(22,356,250)**	(21,087,500)
		(91,876,190)	(75,267,108)	**(199,954,837)**	(219,788,794)
NET ASSETS		**4,863,872,350**	3,953,737,933	**190,637,086**	216,594,695

The financial statements on pages 15 to 52 were approved by the Board of Trustees on 26 June 2012 and were signed on its behalf by:

Trustee

Trustee

The notes on pages 20 to 52 form part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 31 December 2011

All figures are stated in Kwacha'000

	Note	Pension Scheme		Provident Fund	
		2011	2010	**2011**	2010
Cash flows from operating activities					
Increase in net assets		**910,134,416**	816,759,079	**(25,957,609)**	16,235,920
Adjusted for non cash items:					
Depreciation	20	**5,333,664**	4,725,684	**476**	6,472
Income tax expense		**38,063,912**	43,104,929	**856,175**	1,557,898
Dividend income		**(7,152,171)**	(9,833,181)	**(4,824,091)**	(2,847,997)
Gain on disposal of investment property		**-**	-	**2,312,983**	-
Interest income		**(281,640,172)**	(294,611,609)	**(6,971,484)**	(13,725,148)
Surplus on revaluation of investments		**79,914,186**	(46,636,194)	**-**	-
Loss/ (gain) on disposal of financial assets		**-**	(8,884,473)	**14,639,079**	(4,731,888)
Surplus on revaluation of investments properties		**-**	-	**-**	(43,703,376)
Gain (loss) on disposal of property, plant and equipment		**(87,714)**	(688,589)	**96,406**	(10,501)
Surplus on revaluation of properties		-	-	**(5,515,303)**	(11,372,691)
Operating cash inflows before movements in operating funds		**744,566,121**	503,935,647	**(25,363,368)**	(58,591,312)
Movement in operating assets and liabilities:					
Dividends received		**7,152,171**	9,833,181	**4,824,091**	2,847,997
Interest received		**281,640,172**	294,611,609	**6,971,484**	13,725,148
Purchase of financial assets		**(255,426,405)**	(172,341,527)	**42,288,615**	(40,872,937)
(Decrease)/Increase in deferred liabilities	23	**(31,204)**	(17,050)	**-**	-
Increase in loans and advances		**300,000**	(9,701,644)	**(1,019,586)**	1
(Decrease)/Increase in employee receivables		**827,597**	884,829	**-**	-
Increase in member's contribution receivables		**(16,479,494)**	(10,396,229)	**-**	-
(Increase)/Decrease in other receivables		**(189,877,578)**	(74,447,291)	**5,117,930**	(11,861,677)
(Increase)/Decrease in inventories		**175,484**	(11,281)		
Proceeds on disposal of investment properties		**-**	-	**5,150,537**	-
Proceeds on disposal of Property, plant & equipment		**1,101,485,610**	1,839,178		11,484
Increase in other payables and accruals		**18,405,004**	14,732,312	**(20,012,200)**	94,370,709
Net movement in operating assets and liabilities		**948,171,358**	65,176,633	**43,320,871**	58,220,726
Income tax paid		**(39,828,631)**	(44,890,620)	**(677,931)**	411,638
Net cash flows from operations		**1,652,908,848**	524,221,659	**17,279,572**	41,053

The notes on pages 20 to 52 form part of these financial statements

STATEMENT OF CASH FLOWS (Continued)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

Kwacha '000	Note	Pension Scheme		Provident Fund	
		2011	2010	**2011**	2010
Cash flows from investing activities					
Purchase of property, plant and equipment	20	**(1,762,113,336)**	(457,491,374)	**-**	-
Net cash outflows to investing activities		**(1,762,113,336)**	(457,491,374)	**-**	-
Net cash (outflows)/inflows		**(109,204,488)**	66,730,286	**17,279,572**	41,053
Cash and cash equivalents at beginning of year		**215,298,926**	148,568,641	**41,053**	-
Cash and cash equivalents at end of the year		**106,094,439**	215,298,926	**17,320,624**	41,053

The notes on pages 20 to 52 form part of these financial statements

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2011

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 not yet adopted
The following accounting standards, interpretations and amendments to published accounting standards have not been adopted in the current year: They are not expected to have an impact on the financial statements when adopted.

- IAS 1 Financial statement presentation (Amendment). *
- IAS 19 Employee benefits (Amendment) - Employee benefits (Amendment). **
- IAS 12 amendment - Deferred tax: Recovery of Underlying Assets. ®*
- IAS 27 Separate financial statements 1 January 2013. **
- IAS 28 Investment in associate (Amended) 1 January 2013. **
- IFRS 9 (2010) (AC 146) - Financial Instruments. ®**
- IFRS 10 Consolidated Financial Statements.®(1) **
- IFRS 11 Joint Arrangement.®(1)**
- IFRS 12 Disclosure of Interests in Other Entities.®(1)**
- IFRS 13 Fair Value Measurement.®(1)**
- IFRS 14 (AC 447) amendment – Prepayments of a Minimum funding Requirement. ®(1)**

*Effective date: Annual periods beginning on or after 1 January 2012.
** Effective date: Annual periods beginning on or after 1 January 2013.
*** Effective date: Annual periods beginning on or after 1 January 2011.
**** Effective date: Annual periods beginning on or after 1 July 2011.

(1) These amendments have not yet been approved by the Accounting Practices Board.

®All standards will be adopted at their effective date (except for the effect of those standards that are not applicable to the entity).

Management are still considering the possible and / or likely impact of IFRS 9, IFRS 10, IFRS 11 and IFRS 12, going forward.

IAS 1, IAS 19, IAS 12, IAS 24, IFRS 1, IFRS 7, IFRS 13, IFRS 14, are not expected to have significant impact or are not expected to be applicable to the future financial statements.

The following standards, amendments and improvements are effective for the current financial year and were adopted but do not have a material effect on the Authority.

IFRS 1 (Amendment), IFRS 2 (Revised), IFRIC 19, IAS 24 (Amendment), IAS 32 (Amendment) and Improvements to IAS issued May 2008, April 2009 and May 2010.

These however, are not applicable to the Authority and therefore have no impact.

SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 December 2011

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 2011

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 2011

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 2011

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 2011

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 2011

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 2011

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 2011

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
for the year ended 31 December 2011

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 2008 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		0.20
Deficit		(8.60)
The key assumptions used were:		%
Valuation interest rate		13
Long term inflation rate		10
Expected rate of return on scheme assets		12.2
Future salary increases		10
Future pension increases		10

The 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.

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

****Short records**
Where members have contributed for less than 180 months and qualify for lumpsum payments under the sliding scale.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

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 K38.1 billion in Withholding Tax on Investment income under the Pension Scheme and paid K0.9 billion under the Provident Fund.

Pension Scheme **Withholding tax expense**	**2011**	2010
Withholding tax @ 15% on interest on treasury bills or Government bonds	**38,063,912**	43,104,929
Included under current liabilities		
Payable in respect of previous year	**20,600,452**	22,386,143
Payable in respect of the current year	**38,063,912**	43,104,929
	58,664,364	65,491,072
WHT suffered	**(39,828,631)**	(44,890,620)
Current tax liabilities	**18,835,733**	20,600,452
Provident Fund **Withholding tax expense**		
Withholding tax @ 15% on interest on treasury bills or Government bonds	**856,175**	1,557,898
Included under current liabilities (assets)		
Payable in respect of previous year	**2,679,870**	710,334
Payable in respect of the current year	**856,175**	1,557,898
	3,536,045	2,268,232
WHT (suffered)/claimed	**(677,931)**	411,638
Current tax liabilities	**2,858,114**	2,679,870

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

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 libor +2.5% and libor +3.25% respectively. .

(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 2011, 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 K35,337,917 higher (2010: K27,046,967) mainly as a result of equity investments.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

All figures are stated in Kwacha'000

4. Financial risk management (Continued)

Pension scheme

At 31 December 2011, 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 K35,337,917.00 lower (2010: K27,046,967) mainly as a result of equity investments.

Provident fund

At 31 December 2011, 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 K11,207,124 higher (2010: K9,223,265) mainly as a result of equity investments

At 31 December 2011, 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 K11,207,124 lower (2010: K9,223,265) 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 2011, 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 K25,358 (2010 : K1,962,155) 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 2011, 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 K1,117,813 (2010: K1,054,375) mainly as a result of the US dollar payables and bank balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

4. Financial risk management (Continued)

Provident Fund

At 31 December 2011, 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 K 1,117,813 lower (2010 : K1,054,375).

(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 2011 is as follows:

	2011	2010
Pension scheme		
Cash and cash equivalents	**106,094,439**	215,298,926
Equity investments	**353,379,171**	270,469,675
Government securities	**1,974,795,017**	1,879,986,903
Fixed term deposits	**625,619,482**	645,510,095
Other bonds	**41,029,416**	40,531,942
Other receivables	**220,044,609**	11,739,273
	3,320,962,134	3,063,536,814

Collateral is held on certain Fixed Term Deposits and Corporate bonds amounting to K146 billion and K15 billion respectively.

Provident fund		
Equity investments	**112,071,243**	92,232,650
Government securities	**23,383,159**	119,486,434
Fixed term deposits & other bonds	**41,808,197**	40,531,941
Other receivables	**11,396,698**	16,514,630
	188,659,297	268,765,655

Collateral is held on certain Fixed Term Deposits amounting to K10 billion.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

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)

	2011	2010
Past due but not impaired		
Above 60 days	**15,252,293**	11,953,179
Total past due but not impaired	**15,252,293**	11,953,179
Provision for bad debts	**(5,253,111)**	(5,253,111)
	9,999,182	6,700,068

(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
for the year ended 31 December 2011

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 2011			
Payables	**59,167,353**	**13,873,103**	-
At 31 December 2010			
Payables	43,216,656	11,450,000	-
Provident Fund			
At 31 December 2011			
Long term loan	-	-	**22,356,250**
Payables	**62,630,951**	-	-
At 31 December 2010			
Long term loan	-	-	21,087,500
Payables	64,656,546	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

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:

	2011	2010
Pension Scheme		
Financial assets	**285,697,028**	295,671,126
Employee loans and advances	**698,230**	857,874
	286,395,258	296,529,000
Provident Fund		
Financial assets	**11,795,575**	16,573,145
Rental income	**15,882,573**	11,781,999
Loans and advances	**23,690**	23,690
	27,701,838	28,378,834

6. Net exchange gains/(losses)

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

Pension Scheme	**2011**	2010
Exchange gains	-	1,294,555
Exchange losses	**(1,469,299)**	-
Net exchange (losses)/gains	**(1,469,299)**	1,294,555
Provident Fund		
Exchange gains		-
Exchange losses	**(1,476,530)**	(751,335)
Net exchange (losses)/gains	**(1,476,530)**	(751,335)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

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

In 2011 the Zambian Kwacha depreciated against the US Dollar and other major convertible foreign currencies.

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

The table below illustrates the movements in the US Dollar exchange rates during 2011:

Currency	Mid – market exchange rate as at 1 January 2011	Mid – market exchange rate as at 31 December 2011	Average depreciation during the year
US Dollar (1 US$ =)	ZK4,820	ZK5,110	6%

The table below illustrates the movements in the US Dollar exchange rates during 2010

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

7. Benefit claims and refunds

Pension Scheme	**2011**	2010
Retirement refund	**18,071,831**	12,875,255
Survivors refund	**12,823,272**	9,195,483
Invalidity refund	**73,808**	67,898
Refund of contributions	**468,273**	2,791,882
	31,437,184	24,930,518
Indexed payments	**44,950,272**	28,279,650
Interest on refund	**4,547,543**	2,056,362
	49,497,815	30,336,012
	80,934,999	55,266,530

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

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	**2011**	2010
Interest on benefits	**46,121,065**	43,659,526
Retirement	**2,221,734**	5,240,556
Survivors	**305,689**	789,966
Age	**209,120**	473,598
Disability	**7,843**	35,180
Home ownership	**68,438**	155,706
Savings	**2,033**	38,849
Emigration	**-**	14,500
Suplementary savings	-	634
	48,935,922	50,408,515

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 2011

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 2011

All figures are stated in Kwacha'000

9. Financial assets

Pension Scheme	**2011**	2010
Treasury bills (note 10)	**291,057,358**	414,330,894
Government bonds (note 11)	**1,683,737,659**	1,465,656,009
Fixed term deposits (note 12)	**625,619,482**	645,510,095
Other stocks and bonds (note 13)	**41,029,415**	40,531,942
Equity (note 14)	**353,379,171**	270,469,675
	2,994,823,085	2,836,498,615
Provident Fund		
Treasury bills (note 10)	**13,196,127**	99,239,970
Government bonds (note 11)	**10,187,032**	20,246,463
Fixed term deposits (note 12)	**36,755,348**	16,398,774
Other Stocks and Bonds (note 13)	**-**	-
Equity (note 14)	**112,071,243**	92,232,650
	172,209,750	228,117,857

The following financial assets exceeded 5% of net assets available for benefits

	Pension Scheme **%**	**Provident Fund** **%**
Treasury bills	6	7
Government bonds	35	5
Fixed term deposits	13	19
Equity	7	59

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

10. Treasury bills - maturity analysis

Pension Scheme	**2011**	2010
91 days		
182 days	-	14,002,982
273 days	**9,916,696**	97,890,730
365 days	**281,140,662**	302,437,182
	291,057,358	414,330,894
Provident Fund		
91 days	-	18,540
182 days	-	42,174,697
273 days	-	37,651,509
365 days	**13,196,127**	19,395,224
	13,196,127	99,239,970

Interest on treasury bills is receivable on maturity at varying rates between 7.5% and 13.5%. The bills mature on diverse dates between January 2012 and December 2012.

11. Government bonds

Pension Scheme	**2011**	2010
2 to 5 years Government bonds	**1,467,201,277**	1,319,623,349
7 to 15 years Government bonds	**216,536,382**	146,032,660
	1,683,737,659	1,465,656,009

Interest on the Government bonds is receivable semi annually at varying rates between 8% and 15%. The bonds mature on diverse dates between January 2012 and December 2026.

Provident Fund	**2011**	2010
2 to 5 years Government bonds	**10,187,032**	20,246,463

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

12. **Fixed term deposits (continued)**	**2011**	2010
Pension Scheme		
Citibank Zambia Limited	**30,708,047**	30,508,246
Zambia National Commercial Bank Plc	**-**	25,897,326
Indo-Zambia Bank Limited	**24,467,152**	33,649,162
Investrust Bank Limited	**10,885,205**	-
First National Bank	**63,889,333**	31,716,164
Cavmont Capital Bank	**28,253,602**	26,241,644
United Bank of Africa	**23,262,343**	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	**1,109,100**	1,610,178
Stanbic Bank Zambia Limited	**78,373,428**	103,130,800
Barclays Bank Zambia Limited	**162,498,968**	125,028,422
Standard Chartered Bank	**-**	48,387,262
Finance Bank	**81,605,164**	115,134,094
Access Bank Zambia Limited	**67,584,658**	65,101,865
First Alliance Bank	**-**	10,081,096
Ecobank	**27,120,317**	7,401,918
BankABC	**10,643,562**	-
International Commercial Bank	**15,218,603**	-
	625,935,095	645,825,708
Less Impairment provision	**(315,613)**	(315,613)
	625,619,482	645,510,095
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
Zambia National Commercial Bank	**15,232,851**	-
Intermarket	**10,653,425**	-
International Commercial Bank	**10,869,073**	5,180,822
Pan African Building Society	**128,358**	128,358
Stanbic Bank Zambia Limited	**-**	11,217,953
Union Leasing Zambia Limited	**202,835**	202,835
¤ UniFinance Zambia Limited	**119,837**	119,837
	40,513,613	20,157,039
Less: Impairment provision	**(3,758,265)**	(3,758,265)
	36,755,348	16,398,774

Interest on fixed term deposits is receivable on maturity at varying rates between 7.5% and 13%. The maturity period ranges between 30 to 365 days and deposits mature on diverse dates between January 2012 and December 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

13. Other stocks and bonds	2011	2010
Pension Scheme		
Barclays Bank Zambia Plc ("BBZ") 12 year bond	**15,336,594**	15,210,013
Investrust Bank	**25,692,821**	25,321,928
	41,029,415	40,531,941
Less: Impairment provision	-	-
	41,029,415	40,531,941
Provident Fund		
Meridien BIAO Bank Limited (In liquidation)	**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 91 days Treasury Bills rate + 1.25% margin per annum.

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 +3.25% margin and 182 days Treasury bills rate + 4% margin.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

14. Equity

Pension Scheme	No. of shares	Share price	2011 Market Value	2010 Market Value
Zambia Sugar plc	362,520,236	309.00	**112,018,753**	112,381,273
ZANACO PLC	102,936,652	1,350.00	**138,964,480**	84,510,991
Zambeef	8,282,171	2,901.00	**24,026,578**	30,644,033
British Petroleum Zambia Plc	31,402,551	1,145.00	**35,955,921**	10,080,219
Standard Chartered Bank	147,578,406	90.10	**13,296,814**	6,837,799
Metal Fabricators of Zambia Plc	10,890,519	650.00	**7,078,837**	6,534,311
Farmers House Plc	2,097,576	3,100.00	**6,502,486**	6,292,728
Prima Re-Insurance	570,918,822	8.00	**4,567,351**	4,567,351
Lafarge Plc	521,123	7,600.00	**3,960,535**	3,551,453
Cavmont Capital Holdings Plc	546,915,739	5.00	**2,734,579**	2,187,663
Pamodzi Hotel Plc	4,056,473	658.00	**2,669,159**	1,480,613
National Breweries Plc	150,000	7,200.00	**1,080,000**	1,020,000
British American Tobacco Zambia Plc	155,048	1,590.00	**246,526**	255,829
African Explosives Plc	69,288	4,000.00	**277,152**	125,411
	-	-	-	-
	-	-	**353,379,171**	270,469,675

Provident Fund	No. of shares	Share price	2011 Market Value	2010 Market Value
Zambia Sugar Plc	130,470,417	309	**40,315,359**	40,445,829
Standard Chartered Bank Zambia Plc	377,004,834	90	**33,968,136**	17,467,891
Chilanga Cement Plc	3,781,934	7,600.00	**28,742,698**	25,773,880
National Breweries Plc	1,250,000	7,200.00	**9,000,000**	8,500,000
Development Bank of Zambia	4,505	10,000	**45,050**	45,050
Commerce Bank Limited (In Liquidation)	2,157,780,000	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
			114,232,173	94,393,580
Less: Impairment provision			**(2,160,930)**	(2,160,930)
			112,071,243	92,232,650

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

15. Loans and advances

	2011	2010
Pension Scheme		
Zambian Lotto	**9,401,644**	9,701,644
Less: Impairment provision	**-**	-
	9,401,644	9,701,644
Provident Fund		
Government loans	**923,643**	899,953
Parastatal and private sector	**88,227**	88,227
Local authority loans	**7,715**	7,715
	1,019,585	995,896
Less: Impairment provision	**(1,019,585)**	(995,896)
	-	-

16. Employee receivables

Pension Scheme		
Housing loans	**-**	77,648
Other staff loans	**5,253,195**	6,006,344
	5,253,195	6,083,992
Bad debts provision	**(254,251)**	(257,451)
	4,998,944	5,826,542

17. Other receivables

Pension Scheme		
Other receivables	**6,271,615**	3,627,159
Dividend receivables	**36,790**	1,174,060
Prepayments	**1,111,513**	1,111,513
Stayeasy	**17,187,745**	-
Society House Development	**207,625,747**	-
	232,233,410	5,912,732
Less: Impairment provision	**-**	-
	232,233,410	5,912,732

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

17. Other receivables (Cont'd)	2011	2010
Provident Fund		
Rental debtors	**12,169,907**	11,953,179
Prepayment	**-**	5,395,303
Dividends	**699,862**	571,108
Other receivables	**143,511**	211,623
	13,013,280	18,131,213
Bad debts provision	**(1,616,582)**	(1,616,582)
	11,396,698	16,514,631

18. Inventory

Inventories comprise mainly of stationery. An allowance has been made for defective, slow moving and obsolete inventories of **K134 million** (2010: K309 million)

19. Investment properties	2011	2010
Provident Fund		
At beginning of year	**144,496,368**	100,792,991
Disposals	**(7,343,520)**	(2,183,440)
Additions	**5,395,304**	45,886,817
At end of year	**142,548,152**	144,496,368

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

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 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**	**19,784,132**	**19,155,551**	**806,099,881**
At 1 January 2011	767,160,198	19,784,132	19,155,551	806,099,881
Additions	1,753,679,588	6,904,409	1,529,339	1,762,113,336
Disposals	(1,100,808,168)	(879,094)	(10,018,011)	(1,111,705,273)
At 31 December 2011	**1,420,031,618**	**25,809,447**	**10,666,879**	**1,456,507,944**
Depreciation				
At 1 January 2010	-	7,216,946	14,736,721	21,953,667
Charge for year	-	3,415,466	1,310,216	4,725,682
Eliminated on disposal	-	(358,677)	(1,326,841)	(1,685,518)
At 31 December 2010	-	**10,273,735**	**14,720,096**	**24,993,831**
At 1 January 2011	-	**10,273,735**	**14,720,096**	**24,993,831**
Charge for year	-	4,125,191	1,208,473	5,333,664
Eliminated on disposal	-	(512,348)	(9,795,033)	(10,307,381)
At 31 December 2011	-	**13,886,578**	**6,133,536**	**20,020,114**
Carrying amount				
At 31 December 2011	**1,420,031,618**	**11,922,869**	**4,533,343**	**1,436,487,830**
At 31 December 2010	767,160,198	9,510,397	4,435,463	781,106,051

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

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 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 2011	47,091,165	58,596	569,670	47,719,431
Disposals	-	(58,595)	(449,753)	(508,348)
At 31 December 2011	**47,091,165**	**1**	**119,917**	**47,211,083**
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**
At 1 January 2011	-	58,595	447,256	505,851
Charge for year	-	-	476	476
Eliminated on disposal	-	(58,595)	(353,349)	(411,944)
At 31 December 2011	**-**	**-**	**94,383**	**94,383**
Carrying amount **At 31 December 2011**	**47,091,165**	**1**	**25,534**	**47,116,700**
At 31 December 2010	35,718,474	1	122,414	47,213,580

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

21. Capital commitments

As at 31 December 2011 the Authority had capital commitments of approximately ZK2.5 billion. (2010: K3.5 billion).

22. Other payables and accruals

	2011	2010
Pension Scheme		
Sundry payables	**53,880,836**	36,854,059
Accrued expenses	**3,185,032**	4,229,908
	57,065,868	41,083,967
Provident Fund		
Sundry payables	**36,851**	18,425
Accrued expenses	**17,939,676**	19,238,120
	17,976,527	19,256,545

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:

	2011	2010
At beginning of year	**2,132,689**	2,149,739
Charge for the year	**2,002,714**	1,707,299
Paid during the year	**(2,033,917)**	(1,724,349)
At end of year	**2,101,486**	2,132,689

24. Long term loan

Provident Fund		
At beginning of year	**21,087,500**	20,409,375
Net exchange loss/(gain)	**1,268,750**	678,125
At end of year	**22,356,250**	21,087,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

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 2011.

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 K59,465,262 (2010 : K42,985,768).

NATIONAL PENSION SCHEME AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2011

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 2011 was K5,100,988 (2010: K4,380,495).

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 2011

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 2011 is as follows:

a) **Amounts due from the Government**	**2011**	2010
Rental income	**959,899**	959,899
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	1,262,197

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

	2011	2010
Trustees allowances	**2,816,190**	1,171,020

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 2011, as all other deemed likely to crystallise have been provided for.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

All figures are stated in Kwacha'000

	Pension Scheme		Provident Fund	
Member service operations:	**2011**	2010	**2011**	2010
Contributions receivable/arrears	**1,029,077,278**	806,143,029	**-**	-
Benefit claims and refunds	**(86,124,472)**	(60,082,408)	**(48,942,183)**	(50,416,942)
Normal retirement pensions	**(56,262,958)**	(36,682,263)	-	-
	886,689,848	709,378,358	**(48,942,183)**	(50,416,942)
Investment operations:				
Investment revenue				
- Interest on Government bonds	**192,896,550**	178,489,192	**970,999**	1,777,122
- Interest on treasury bills	**31,671,278**	42,744,745	**2,197,359**	8,751,310
- Interest on term deposits	**52,528,349**	67,668,279	**3,803,126**	3,196,716
- Other investments	**4,543,995**	5,709,393	**-**	
- Rental income	**2,958,625**		**15,882,573**	11,781,999
- Dividend income	**7,152,171**	9,833,181	**4,824,091**	2,847,997
Management fees	**1,957,025**	1,822,099	**-**	
Handling fees	**(7,310,083)**	(2,552,367)	**(20,935)**	(115,519)
Medical Levy	**(2,721,896)**	(3,085,791)	**(102,853)**	(124,481)
Surplus on revaluation of investments	**-**	-	**-**	11,372,691
Surplus on revaluation of Investment properties	**-**	-	**-**	45,243,217
Surplus on revaluation of financial assets	**(79,914,186)**	(46,636,194)	**(14,639,079)**	(4,924,564)
Interest on loans and advances	**1,098,230**	1,059,518	**23,690**	23,690
	204,860,058	255,052,055	**42,217,129**	79,830,179
Other operating income:				
Exchange gains (losses)	**(1,469,299)**	1,294,555	**(1,476,530)**	(751,335)
Gain (loss) on disposal of plant and equipment properties	**(87,714)**	(688,589)	**(95,744)**	10,501
Gain (loss) on disposal of shares	**-**	8,884,473	**(2,312,983)**	192,676
Write back of bad debt provision	**(429,316)**	1,225,849	**-**	-
Sundry income	**(255,591)**	239,163	-	-
	(2,241,920)	10,955,451	**(3,885,257)**	(548,158)

STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
for the year ended 31 December 2011

All figures are stated in Kwacha'000

	Pension Scheme		Provident Fund	
	2011	2010	**2011**	2010
Management and administration expenses:			-	-
Employee benefit expenses	**(92,314,277)**	(72,830,453)	-	-
Administration expenses	**(38,360,729)**	(33,585,224)	**(12,608,422)**	(12,029,786)
Pension cost	**(5,100,988)**	(4,380,495)	-	-
Bad and doubtful debts provision	-	-	**(1,348,338)**	1,499,704
Depreciation	**(5,333,664)**	(4,725,684)	(476)	(6,472)
	(141,109,658)	(115,521,855)	**(13,957,236)**	(10,536,554)
Surplus of income over expenditure before finance costs and tax	**948,198,328**	859,864,008	**(24,567,547)**	18,328,526
Interest expense	-	-	**(533,887)**	(534,707)
	948,198,328	859,864,008	**(25,101,433)**	17,793,819
Surplus of income over expenditure before tax	**948,198,329**	859,864,008	**(25,101,433)**	17,793,819
Tax expense	**38,063,912**	43,104,929	856,175	1,557,898
Surplus after tax	**910,134,416**	816,759,079	**(25,957,608)**	16,235,921

STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

All figures are stated in Kwacha'000

	Note	Pension Scheme		Provident Fund	
		2011	2010	**2011**	2010
ASSETS					
Bank and cash balances		**106,094,439**	215,298,926	**17,320,624**	41,053
Financial assets	9	**2,994,823,085**	2,836,498,614	**171,190,164**	228,117,858
Loans and advances	15	**9,401,644**	9,701,644	**1,019,586**	-
Employee receivables	16	**4,998,944**	5,826,542	**-**	-
Members' contributions receivables		**59,465,262**	42,985,768	**-**	-
Other receivables	17	**215,045,665**	5,912,732	**11,396,698**	16,514,630
Current account with ZNPF		**112,109,522**	131,364,877	**-**	-
Inventory	18	**134,404**	309,888	**-**	-
Investment properties	19	**17,187,745**	-	**142,548,152**	144,496,368
Property, plant and equipment	20	**1,436,487,830**	781,106,051	**47,116,700**	47,213,580
TOTAL ASSETS		**4,955,748,540**	4,029,005,041	**390,591,924**	436,383,489
LIABILITIES					
Current account with NAPSA		**-**	-	**112,109,522**	131,364,877
Other payables and accruals	22	**57,065,868**	41,083,966	**17,976,527**	19,256,546
Claims payable	25	**13,873,103**	11,450,000	**-**	-
Deferred liabilities	23	**2,101,486**	2,132,689	**44,654,424**	45,400,000
Current tax liabilities		**18,835,733**	20,600,452	**2,858,114**	2,679,871
Long term loan	24	-	-	**22,356,250**	21,087,500
		91,876,190	75,267,108	**199,954,836**	219,788,793
ACCUMULATED FUNDS					
Accumulated funds		**4,735,497,176**	3,908,272,255	**-**	-
Members' funds		**-**	-	**(168,335,285)**	(119,393,103)
Investment revaluation reserve		**128,375,174**	45,465,678	**158,251,976**	143,612,897
Property revaluation reserve		**-**	-	**71,313,796**	71,313,796
Other reserves		**-**	-	**129,379,999**	121,034,503
Annuity account		-	-	**26,601**	26,601
		4,863,872,350	3,953,737,933	**190,637,087**	216,594,695
TOTAL LIABILITIES AND ACCUMULATED FUNDS		**4,955,748,540**	4,029,005,041	**390,591,923**	436,383,488

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS
for the year ended 31 December 2011

All figures are stated in Kwacha'000

Pension Scheme	Investment revaluation reserves	Accumulated funds	Total
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**
Balance at 1 January 2011	45,465,678	3,908,272,255	3,953,737,933
Surplus of income over expenditure for year	-	827,224,921	827,224,920
Surplus on revaluation of equity	82,909,496	-	82,909,496
Balance at 31 December 2011	**128,375,174**	**4,735,497,176**	**4,863,872,350**

STATEMENT OF MOVEMENTS IN ACCUMULATED FUNDS **APPENDIX III**
for the year ended 31 December 2011
Kwacha '000

Provident Fund	**Annuity account**	**Members' funds**	**Property Revaluation reserve**	**Investment revaluation reserve**	**Other reserves**	**Total**
Balance at 1 January 2010	26,601	(68,976,160)	71,313,796	91,728,877	106,265,660	200,358,774
Benefit claims and refunds (note 7)	-	(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
Amortisation of revaluation surplus	-	-	-	-	-	7,830,622
Balance at 31 December 2010	**26,601**	**(119,393,102)**	**71,313,796**	**143,612,897**	**121,034,503**	**216,594,695**
Balance at 1 January 2011	26,601	(119,393,102)	71,313,796	143,612,897	121,034,503	216,594,695
Benefit claims and refunds (note 7)	-	(48,935,922)	-	-	-	(48,935,922)
Maternity and funeral grants	-	(6,260)	-	-	-	(6,260)
Investment property	-	-	-	14,639,077	-	14,639,077
Surplus of income over expenditure for year	-	-	-	-	8,345,496	8,345,496
Balance at 31 December 2011	**26,601**	**(168,335,284)**	**71,313,796**	**158,251,974**	**129,379,999**	**190,637,086**