

ABRIDGED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

| For The Year Ending | US\$ |
|-----------------------------------|------------------|
| 31 December 2011 | |
| Contributions | 3 997 025 |
| Net Investment income | 1 145 488 |
| Other Income | (87 882) |
| Total Income (a) | 5 054 631 |
| Less: Benefits Paid | |
| Monthly Pensions | 40 943 |
| Withdrawals | 449 029 |
| Retirements | 230 622 |
| Retrenchments | 71 267 |
| Death Benefits | 363 746 |
| Administration Expenses | 1 117 265 |
| Total Expenses (b) | 2 272 872 |
| Surplus For The Year (a-b) | 2 781 759 |

STATEMENT OF FINANCIAL POSITION

| As At | US\$ |
|---------------------------------|-------------------|
| 31 December 2011 | |
| ACCUMULATED FUND: | |
| Opening Accumulated Fund | 15 732 046 |
| Surplus For The Year | 2 781 759 |
| | 18 513 805 |
| EMPLOYMENT OF CAPITAL: | |
| Investments | 17 192 689 |
| Fixed Assets | 108 121 |
| Debtors Less Creditors | 1 129 208 |
| Cash In Hand | 83 787 |
| BALANCE OF FUND | 18 513 805 |

MOTOR INDUSTRY PENSION FUND

Trustees

Mr I.Murefu (Chairman)
 Mr M.Nyamupingidza (Employer Trustee)
 Mr S.Sibanda (Employer Trustee- **retired**)
 Mr P.Chipamuriwo (Employer Trustee)
 Mr S.Mari (Employee Trustee)
 Mr C.M.Dirwayi (Employee Trustee)
 Mr T.Utedzi (Employee Trustee)
 Mrs D. Nyamukapa (Independent Trustee-**retired**)
 Mr Matupire (Employer Trustee)

Chief Executive Officer / Principal Officer

Mr R.Manhika
 (MBA- Financial Services, BSc Honours Applied Mathematics degree.)

Finance Executive

Mr F.T.Zindere
 (FCIS, R.P. Acc)

Pensions Admin Executive / Compliance Officer

Mr M. Nheta (HND Pensions Management, MBA finalist)

Actuaries

Quantum Consultants and Actuaries, 6th floor
 Chiyedza House, Harare

Auditors

Baker Tilly Gwatidzo Chartered Accountants
 AMG Global Accountants (Internal Auditors)

Investment Managers

Old Mutual Investment Group, ABC Asset Management and CBZ Asset Management t/a Datvest

Bankers

Barclays Bank, FBC Bank, Banc ABC and Kingdom Bank

Motor Industry Pension Fund

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 Harare, Zimbabwe
 Box A1018, Avondale

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MOTOR INDUSTRY PENSION FUND

Abridged Financial Statements As At 31 December 2011



Motor Industry House Harare

INTRODUCTION

Motor Industry Pension Fund (MIPF) is registered as a self administered Pension Fund in terms of the Pensions and Provident Fund Act (Chap. 24:09). It is a Defined Contribution Scheme financed through contributions from employees and employers and earnings from the Fund's investments. The surplus from contributions and investments income over benefits payments is invested in compliance with regulations.

Contributions

Contribution to the Fund is compulsory to all employees under the age of 65 years whose employers are registered with the National Employment Council for the Motor Industry in terms of Statutory Instrument (SI) 66 of 1995. Employers are obliged to deduct 5% from an employee's monthly basic salary and in turn contribute 5% on behalf of their employee plus 2.5% stabilisation. These contributions should be paid into the Fund's account or offices on or before the 14th of the following month in terms of SI 243 of 2006.

Further details of contributions rates payable to and benefits receivable from the Fund are contained in the Members' Booklet issued to all employees who are eligible to join the Fund.

Board of Trustees

MIPF is run by a Board of Trustees in accordance with the Statutory Regulations. It has a fiduciary duty to the contributors, and beneficiaries of the Pension Fund to ensure that contributions have been collected, benefits have been calculated correctly and paid promptly and any surplus funds are properly invested.

Investments Management Agreements

The following investments managers managed the Fund's assets in 2011 and have continued with their mandates into 2012.

- ABC Asset Management
- CBZ Asset Management t/a Datvest
- Old Mutual Investment Group

The Managers invest within a broad investment policy agreed with the Board of Trustees to whom they report to on a regular basis during the year. The long term nature of the Fund's liabilities means the capital growth potential and likely income, within acceptable levels of risk are the main investment considerations.

Chairman's Statement

Once again, this year has been a period of considerable change for both the Fund and the Trustee Board. I am pleased to present my review of the year ended 31 December 2011.

Your Fund performed well to declare 6% investment return to its members for the year 2011, a return which is above the inflation benchmark of 4.9% at year-end. This brings the Fund's compounded return to 76.67% over the past three years of dollarization compared to a single digit inflation rate for the same period. In 2011, the total market value of the assets of the Fund grew from \$15,732 million to \$18,440 million representing an annual growth of 17.23%. A surplus from our investments of \$1.805 million was declared for the year. Your Fund is well equipped to meet short-term market fluctuations as it is invested in well-diversified portfolios with a view to long-term security. The investment strategy continues to focus on high yielding and inflation sensitive or real return assets with the latter being a particularly good match for the CPI's inflation indexed liabilities. The dilution of equities investments in 2011 largely by fixed income securities and property investments is a short term strategy to try and preserve value by investing in

guaranteed and above inflation returns assets in the market. The Fund's year-end cash flow position continues to provide an income substantially matching the expected liabilities of the Fund as they fall due.

Results from the actuarial valuation prepared by the Fund Actuary as at 31 December 2011 continues to be pleasing as the Actuary certified the Fund as financially sound after distributing a 6% bonus and setting aside a 5% reserve to cushion the fund against future negative shocks. A copy of the valuation report is available to members on request.

In a brief review of the Fund's operations, I would like to mention the following:-

ADMINISTRATION

I am pleased to report that your Fund is one of the few in the country to be awarded a tax assessment licence which allows us to calculate tax in-house for all members who fall within the 25% tax band. This surely is a sign of confidence on our administration system by the tax authorities who came to audit our system as part of the due diligence exercise done before awarding a licence to any Pension Fund.

The tax licence has resulted in a significant reduction of processing time to 5 working days to pay claims especially those within the tax band which was approved for us to make internal tax assessment by ZIMRA. However, of concern are claims which are submitted to us for processing yet the employer is not up to date with remittance of member contributions or some missing claims documentation. This results in unnecessary delays in processing the submitted claims beyond our internal benchmark of 5 working days and therefore we urge employers to comply with the legislated 14 days remittance period after the end of the month to avoid litigation.

Membership Statistics as at 31 December 2011

The Fund's membership as at 31 December 2011 was 42 644 Main Fund members, 40 pensioners (former members) and a total of 7 beneficiaries. Below is a table showing membership movements in 2011.

| | |
|--|---------------|
| No. of active members as at 1 January 2011 | 42,691 |
| New Entrants | 1,958 |
| Total | 44,649 |
| Resignations, Retirements, Retrenchments and Deaths In Service | (1,743) |
| Total Membership | 42,906 |
| Pensioners (Former Members) | 77 |
| Beneficiaries-Spouses | 11 |
| Beneficiaries-Children | 6 |

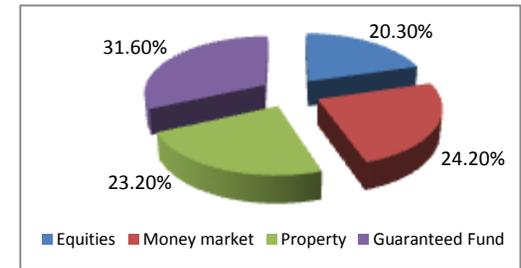
Total contributions continued to increase as they reached US\$3. 997 million compared to US\$2.267 million representing a 76% increase from 2010. During 2011, a total of 1,743 benefit claims were paid compared to 1,340 in 2010 and these amounted to US\$1,155 million up 94% from US\$595,522 in 2010.

Death Benefit Improvement

I am also pleased to report that following the Actuarial valuation for 2010 and recommendation by the Actuary thereafter to increase the death benefit from once annual salary to 1.5 times annual salary, the Board of Trustees adopted this death in service improvement recommendation. This improvement was done at the same cost of 1% to the employer. Our long term target is to raise the death in service benefit further to twice annual salary at the same cost of 1%.

Asset Allocation Mix

Below is the Pension Fund asset allocation mix as at 31 December 2011.



The asset allocation continued changing with Money markets investments constituting 24.02% of the assets of the Fund from 13% in 2010. This was as a result of growth in membership and improved remittance time of contributions to the Fund. The above inflation guaranteed returns obtained in the money market also delayed deployment of cash resources to Equities which have a long term target of 40%.

Board of Trustees, Elections and meetings

The various Committees and the Board of Trustees continued to function satisfactorily in accordance with the established Terms of Reference and the objectives of good governance.

On Behalf of the Board of Trustees, I would like to thank Mr S. Sibanda (Employer Trustee) and Ms D. Nyamukapa (Employee Trustee) who retired in November 2011 after a long and distinguished service. I wish to record my thanks to them.

Turning to Board of Trustees elections, a new set of redrafted rules was crafted with the assistance of our Actuary which ushered a new election criteria. Our Employees' membership was divided into four regions, namely: Harare (including all Mashonaland provinces), Matebeleland, Gweru/Masvingo and Manicaland regions. In future starting 2012, all Board of Trustees elections will be conducted on a regional basis in order to have a Board which covers all corners of the country where our membership is present. The current retired two members of the Board of Trustees will be replaced by new incoming Trustees from Matebeleland region and elections will be conducted in January 2012. We look forward to working with new to be elected Trustees from Matebeleland region.

Outlook

In these extreme volatile market conditions, it is becoming difficult to predict the future. However your Board has put in place measures that will continue to produce favourable performance results, which grows and preserve the value of the Fund assets as well as deliver on quality service to its members.

Finally, I would like to record my thanks to all involved with the continued operations and development of the Fund: the Board of Trustee, Actuary, Legal Advisers, Investment Managers, Custodian, Auditors and not least the Fund Office and Management for their support in a demanding year. There is much to be concluded and new challenges ahead but I am confident that the Fund will continue to prosper.

I Murefu

Chairman
Motor Industry Pension Fund