Progress Trust Closed Pension Fund (New Fund)

Annual Report
For the year ended 31 December 2021

Progress Trust (CPFA) Limited (New Fund)
Annual Report
For the year ended 31 December 2021
Contents

Corporate information

Pension fund administrator
Progress Trust (CPFA) Limited is the sole administrator of Progress Trust (CPFA) Limited-New Fund "the Fund". The administrator does not have any interests in the Fund that is required to be disclosed.

Fund Administrator Registration number: RC1169

Pension Fund Administrator number: 00005

Directors		NATIONALITY
Rob Kleinjan	Chairman	Dutch
Joy O. Ojakovo	Executive Director	
Abiodun Yussuf	Non-Executive Director	Appointed 25th Oct 2021
Uzoma C. Okonkwo	Non-Executive Director	
Uzoamaka A. Ibemere	Non-Executive Director	
Obafunke Alade-Adeyefa	Independent Director	
Oghenekome R. Omowawa	Non-Executive Director	
Grace Omo-Lamai	Non-Executive Director	

Resigned during the year:

Jordi Borrut Bel	Chairman	Resigned 8th June 2021

Company Secretary/Legal Adviser
Uaboi G. Agbebaku
FRC/2013/NBA00000001003

Pension Fund Administrator Office
Progress Trust (CPFA) Limited
1 Abebe Village Road
Iganmu,
Lagos, Nigeria.
01-2717400
www.progresstrustcpfaltd.com

Independent Auditor
KPMG Professional Services,
KPMG Towers,
Bishop Aboyade Cole Street,
Victoria Island,
Lagos, Nigeria
01-2718955
www.kpmg.com/ng

Pension Fund Custodian
Zenith Pension Custodian Limited
4th and 5th floor, Civic Towers
Ozumba Mbadiwe Road
Victoria Island,
Lagos, Nigeria.
01-2784323
www.zenithcustodian.com

Principal Bankers
Zenith Bank Plc
Plot 84 Ajose Adeogun Street,
Victoria Island,
Lagos, Nigeria
01-2781113
www.zenithbank.com

The Directors of Progress Trust (CPFA) Limited ("the Fund Administrator") submit their annual report together with the audited financial statements for the year ended 31 December 2020, to the members of Progress Trust (CPFA) Limited (New Fund) "the Fund". This report discloses the changes in net assets available for benefits and state of affairs of the Fund.

Establishment, Nature and Address of the Fund
The Fund was established in January 2005 in line with provisions of the Pension Reform Act 2004. Prior to that date, Nigerian Breweries Plc operated a staff pension fund established in 1954 by a Trust Deed approved by the Joint Tax Board. Contributions to the earlier fund, which was known as Nigerian Breweries Plc Pensions Fund (Old Fund) ceased in December 2004. The assets of the old fund are administered and reported on separately. The Fund is administered in accordance with the fund rules and Pension Reform Act 2014. The accompanying financial statements show the changes in the net assets available for benefit for the year ended 31 December 2020 and the net assets as at that date.

Membership of the Fund
The change in membership during the year is as follows:

	31 December 2021 Number	31 December 2020 Number
At 1 January	2,578	2,668
Leavers	(159)	(90)
Joiners	-	-
	2,419	2,578

Financial review
The net assets of the Fund available for benefits (page 9) increased by N4.08 Billion in 2020 (2020 :N5.17Billion).

Statement of net assets available for benefits and other statistics:

	2021 N'000	Change N'000	%	2020 N'000	Change N'000	%
Fund's value (Net assets)	37,944,165	4,088,021	10.77	33,856,144	5,670,254	16.75
Accounting units held	8,468,197	-	-	8,468,197	533,220	6.30
Number of members	2,419	(159)	(6.57)	2,578	(90)	(3.49)
Unit accounting value	4.48	0.48	10.77	4.00	0.45	11.15
Investment return	12%			13%		

	31 December 2021 N'000	31 December 2020 N'000
Return on net asset		
Net income	4,213,240	3,882,347
Net asset available for benefits	37,944,165	33,856,144
Returns on net asset	11%	11%

Investment of funds

Progress Trust (CPFA) Limited is responsible for the management and investment of available funds. The investments as at the reporting date are as follows:

	31 December 2021 N'000	%	31 December 2020 N'000	%
Cash and cash equivalents	5,159,289	13	643,701	2
Federal government bonds	19,466,189	50	19,781,810	58
State government bonds	761,161	2	1,805,216	5
Corporate bonds	5,193,412	13	3,871,647	11
Supranational bonds	-	1	52,351	1
Treasury bills	830,947	2	419,252	1
Commercial papers	1,509,806	4	1,153,215	3
Promissory note	126,326	0	116,348	0.34
Quoted equity investments	2,854,030	7	2,644,494	8
Infrastructure Fund	1,503,616	4	1,410,738	4
Private Equity Fund	929,070	2	528,813	2
Mutual funds	976,689	2	1,634,202	5
	39,310,535	100	34,061,787	100

Investment risk management policies and procedures

The risk management and audit committee has the responsibility for setting the investment risk management policies with regards to the Fund's assets under the company's management. However, responsibility for implementation of approved policies resides with the management of Progress Trust (CPFA) Limited.

The Fund's risk management policies are in line with the industry recognised acceptable level of risk on all investment asset classes. The risk management policy provides the framework for the management of the investment risk of the gratuity assets. It provides guidance for establishing a risk management program that identifies, measures, monitors and controls investment activity risks. It also includes guidance for those risks relative to overall risk exposure. The investment and risk management policies and strategies are subject to periodic review in line with regulatory guidelines from PenCom and market dynamics.

Expenses

The Fund's expenses include transaction costs like regulatory fees, Fund Administrator fees and regulatory fees. Other expenses charged to the Fund based on the net asset value include the following fees:

	2021	2020
Fund administrator fees:	0.19%	0.21%
Fund custodian fees:	0.15%	0.15%
National Pencom Commission:	0.10%	0.10%

Administrators' interests in contracts

None of the administrators has notified the Fund of their direct or indirect interest in contracts or proposed contracts with the Fund during the year.

The Directors of the administration certify that to the best of their knowlegde, the information furnished to the auditors for the purpose of the audit was correct and complete in every respect

Rob Kleinjan	Joy Ojakovo
Chairman	Director
FRC/2019/ANAN/00000019433	FRC/2014/ICAN/00000010382
30 March 2022	30 March 2022

Statement of Pension Fund Administrator's Responsibilities in Relation to the Audited Annual Report for the year ended 31 December 2021

The Financial Reporting Council of Nigeria (FRC) and the National Pension commission (PenCom) requires Pension Fund Administrators (PFAs) in Nigeria to prepare financial statements in accordance with International Financial Reporting Standards (IFRSs) as of 31 December.

The Pension Reform Act also requires the Directors of the Administrator to ensure that the Fund keeps proper accounting records of its income, expenditure, liabilities and assets, and that the contributions are remitted to the custodian in accordance with the rules of the Fund.

The Directors of the Fund Administrator accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS and in the manner required by the Financial Reporting Council of Nigeria (FRC), Pension Reform Act and relevant National Pension Commission (PenCom) circulars.

The Directors of the Administrator are of the opinion that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits in accordance with International Financial Reporting Standards.

The Directors of the Administrator further accept responsibility for the maintenance of adequate accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error

Nothing has come to the attention of the Fund Administrator to indicate that the Fund will not be in existence for at least twelve months from the date of this statement. Therefore, the Directors have made an assessment of the Fund's ability to continue as a going concern and have no reason to believe the Fund will not remain a going concern in the year ahead.

The Directors of the administration certify that to the best of their knowledge and belief, the information furnished to the auditors for the purpose of the audit was correct and complete in every respect.

Rob Kleinjan	Joy Ojakovo
Chairman	Director
FRC/2019/ANAN/00000019433	FRC/2014/ICAN/00000010382
30 March 2022	30 March 2022

Certification of Audited Annual Report by the Directors of Progress Trust CPFA Limited

We hereby certify that neither the Company nor any other person acting on its behalf has:

(a) Invested pension fund assets in the shares or any other securities issued by:

i Progress Trust CPFA Limited.

ii Zenith Pension Custodians Limited or its shareholders

The entity's shares in Zenith Bank Plc the Ultimate Parent Company of the Fund Custodian respectively has been recognized at market value and properly disclosed in the Financial Statement.

(b) Sold pension fund assets to itself, any shareholder, a director or affiliate of the Company or any party related to Progress Trust CPFA Limited

(c) Purchased any Progress Trust CPFA Limited (New Fund) assets or apply Pension Fund Assets under its management by way of loans and credits or as collateral for any loan taken by any person

Rob Kleinjan	Joy Ojakovo
Chairman	Executive Director
FRC/2019/ANAN/00000019433	FRC/2014/ICAN/00000010382
30 March 2022	30 March 2022

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KPMG Tower
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Progress Trust (CPFA) Limited (New Fund), which comprise:

- the statement of net assets as at 31 December, 2021;
- the statement of changes in net assets;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011 *the Pension Reform Act 2014 and the National Pension Commission (PENCOM) guidelines.*

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

KPMG

Other Information
The Administrator is responsible for the other information. The other information comprises the Pension Fund Administrator's Report, Statement of the Pension Fund Administrator's Responsibilities, Certification by the Directors of the Administrator, and Other National Disclosures, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Administrator for the Financial Statements
The Administrator is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Financial Reporting Council of Nigeria Act, 2011, *the Pension Reform Act 2014 and the National Pension Commission (PENCOM) guidelines* and for such internal control as the Administrator determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Administrator is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administrator either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the administrators.
- Conclude on the appropriateness of administrator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A. A. Oyelami

Adegoke A. Oyelami
FRC/2012/ICAN/00000000444
For: KPMG Professional Services
Chartered Accountants
21 April 2022
Lagos, Nigeria

Statement of changes in net assets available for benefits

	Notes	31 December 2021 N'000	31 December 2020 N'000
Inflow from dealing with members			
Employer/employee contributions	5	3,377,695	3,221,563
		3,377,695	3,221,563
Outflows from dealing with members			
Contributions on account of leavers	7	(537,296)	(494,816)
Payments to and on account of leavers	7	(1,374,344)	(331,608)
Pension payments to retirees	7	(1,584,901)	(571,805)
Death benefit	7	(6,373)	(35,427)
		(3,502,914)	(1,433,656)
Net (reductions)/additions from dealings with members		(125,219)	1,787,907
Net returns on investment:			
Investment income-investments at fair value	9	290,780	248,268
Interest income calculated using the effective interest rate method	9	3,637,883	3,368,101
Fair value changes on investments at fair value	12.1.2	432,040	436,738
Impairment writeback/ (charge) on financial asset	12.2.1	16,446	(12,171)
Investment management expenses	10	(174,669)	(150,704)
		4,202,480	3,890,232
Other income	6	17,392	1,201
Administrative expenses	8	(6,632)	(9,086)
		10,760	(7,885)
Net Income		4,213,240	3,882,347
Net increase in assets available for benefits		4,088,021	5,670,254
Net assets available for benefits at the beginning of the year		33,856,144	28,185,890
Net assets available for benefits at the end of the year		37,944,165	33,856,144

The accompanying notes to the financial statements form an integral part of this financial statements.

Statement of net assets available for benefits

	Notes	31 December 2021 N'000	31 December 2020 N'000
Assets			
Cash and cash equivalents	11	5,159,289	643,701
Investment securities:			
- Investments at fair value	12.1	6,263,405	6,218,247
- Investments at amortised cost	12.2	27,836,251	27,131,803
Other assets	13	9,236	988
Total assets		39,268,181	33,994,739
Liabilities			
Benefits and fees liabilities	14	1,312,559	131,164
Other liabilities	15	11,458	7,431
Total liabilities		1,324,017	138,595
Net assets available for benefits		37,944,165	33,856,144

The financial statements were approved for issue by the Directors of the Pension Fund Administrator on 30 March 2022 and signed on their behalf by:

Rob Kleinjan
Chairman
FRC/2019/ANAN/00000019433
30 March 2022

Joy Ojakovo
Director
FRC/2014/ICAN/00000010382
30 March 2022

Rotimi Fapohunda
Financial Accountant
FRC/2021/004/00000024663
30 March 2022

The accompanying notes to the financial statements form an integral part of this financial statements.

Statement of cashflows

	Note	31 December 2021 N'000	31 December 2020 N'000
Cash flows from operating activities			
Net income		4,213,240	3,882,347
Adjustment for non-cash items:			
Foreign exchange gain	6	(15,915)	(52)
Accrued investment income	9	(3,370,509)	(3,309,037)
Fair value (gains)/loss on investments at fair value	12.1.1	(432,040)	(465,392)
Impairment (writeback)/expense on financial asset	12.2.1	(16,446)	12,171
Changes in operating assets and liabilities:			
Increase/(Decrease) in investment liabilities	20 (c)	1,181,395	(11,565)
Increase/(Decrease) in other liabilities	20 (b)	4,027	(1,393)
Increase/(Decrease) in other assets	20 (a)	(8,248)	7,340
Net cash inflow from operating activities		1,555,504	114,419
Purchase of investments at fair value	12.1.1	(321,330)	(1,761,546)
Proceeds from disposal of investments at fair value	12.1.1	708,210	-
Purchase of federal government bonds	20 (d)	(1,305,065)	(2,995,279)
Proceeds from redemption of federal government bonds	20 (d)	1,670,053	300,000
Purchase of state government bonds	20 (d)	(300,000)	(459,817)
Purchase of corporate bonds	20 (d)	(1,767,538)	(2,139,660)
Proceeds from redemption of corporate bonds	20 (d)	350,000	-
Purchase of treasury bills	20 (d)	(959,097)	(399,113)
Proceeds from liquidation of treasury bills	20 (d)	592,000	357,000
Purchase of commercial papers	20 (d)	(3,197,070)	(1,800,353)
Proceeds from redemption of commercial papers	20 (d)	2,806,859	1,438,686
Purchase of promisory note	20 (d)	-	(116,349)
Interest received on investments	20 (e)	4,792,365	3,214,857
Net cash inflow / (outflow)from investing activities		3,069,387	(4,361,574)
Cash flows from financing activities			
Contributions from members	5	3,377,695	3,221,563
Payment to members	7	(3,502,914)	(1,433,656)
Net cash (outflow)/ inflow from financing activities		(125,219)	1,787,907
Net increase/(decrease) in cash and cash equivalents		4,499,671	(2,459,248)
Cash and cash equivalents at 1 January		643,702	3,102,898
Effect of exchange rate on cash and cash equivalent	6	15,915	52
Cash and cash equivalents at 31 December	11	5,159,289	643,702

1 General information

These financial statements are the financial statements of Progress Trust (CPFA) Limited (New Fund) "the Fund". The Fund was established in January 2005 in line with provisions of the Pension Reform Act 2004. Prior to that date, Nigerian Breweries Plc operated a staff pension fund established in 1954 by a Trust Deed approved by the Joint Tax Board. Contributions to the earlier fund, which was known as Nigerian Breweries Plc Pensions Fund "Old Fund", ceased in December 2004. The assets of the old fund are administered and reported on separately. Membership of the Fund is made up of full time employees of Nigerian Breweries Plc before 1 January 2015. Contributions to the Fund are a defined percentage of monthly total emoluments.

The financial statements of the Fund for the year ended 31 December 2021 were authorised for issue by the directors of the Pension Fund Administrator on 30th March 2022.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation of Progress Trust CPFA Limited (New Fund)

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011 the Pension Reform Act 2014 and the National Pension Commission (PENCOM) guidelines.

The financial statements comprise the statement of changes in net assets available for benefits, the statement of net assets available for benefits, the statement of cashflows and the notes to the financial statements. Other national disclosures which include the statement of Value Added and Five-year financial summary have been added.

The preparation of financial statements which is in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Fund's financial statements therefore present the financial results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared in accordance with the going concern principle.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

a) Functional and presentation currency

These financial statement are presented in Nigerian Naira, which is the Fund's Functional currency. Except where otherwise indicated, financial information presented in naira has been rounded to the nearest thousand naira.

b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for investment securities carried at fair value through profit and loss and at at amortized cost.

c) Going concern

The financial statements have been prepared on a going concern basis. The administrators have no doubt that the Fund would remain in existence after 12 months.

d) New standards, amendments and interpretations adopted by the Company

The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following amendments effective for the current period:

2.2.1 Standards and interpretations effective during the reporting period

The effective interpretations and standards that need to be considered for financial years ended 31 December 2021 are listed below:

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform

b) Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021

2.2.2 New Standards, amendments, interpretations issued but not yet effective.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to early adopt these standards. These will be adopted in the period that they become mandatory unless otherwise indicated:

2.2.2 New Standards, amendments, interpretations issued but not yet effective -continued

Standard	Date issued by IASB	Effective date periods beginning or after	Summary of the requirements and impact assessment
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	May-20	1-Jan-22	The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarify that costs of fulfilling a contract comprise both: • the incremental costs – e.g. direct labour and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification is applicable for companies that apply the 'incremental cost' approach and they will need to recognise bigger and potentially more provisions. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 to contracts at the date when the amendments are first applied.
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 Annual improvements 2018-2020	May-20	1-Jan-22	IFRS 1 First Time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. • IFRS 16 Leases – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. • IAS 41 Agriculture - The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	May-20	1-Jan-22	The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before its intended use by management. As such, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between: • costs associated with producing and selling items before the item of property, plant and equipment is available for use; and • costs associated with making the item of property, plant and equipment available for its intended use. Making this allocation of costs may require significant estimation and judgement. The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

2.2.2 New Standards, amendments, interpretations issued but not yet effective -continued

Standard	Date issued by IASB	Effective date periods beginning or after	Summary of the requirements and impact assessment
Amendments to IFRS 3 Reference to the Conceptual Framework	May-20	1-Jan-22	The amendment has: • updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; • added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and • added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 including amendments Initial application of IFRS 17 and IFRS 9 – Comparative Information Insurance Contracts	May 2017, June 2020 and December 2021 for the amendments	1-Jan-23	IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as: • Reinsurance contracts held; • Direct participating contracts; and • Investment contracts with discretionary participation features. Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements. The standard is effective for annual periods beginning on or after 1 January 2023.
Amendments to IAS 1 Classification of liabilities as current or non-current	Jan-20	1-Jan-23	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.

2.2.2 New Standards, amendments, interpretations issued but not yet effective -continued

Standard	Date issued by IASB	Effective date periods beginning or after	Summary of the requirements and impact assessment
Amendments to IAS 1 and IFRS Practice Statement Disclosure Initiative: Accounting Policies	Feb-21	1-Jan-23	The amendments were issued to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include: • requiring companies to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements; The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements". The amendments are effective from 1 January 2023.
Amendments to IAS 8 Definition of Accounting Estimates	Feb-21	1-Jan-23	This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarifies the following: • an entity develops an accounting estimate to achieve the objective set out by an accounting policy. • developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. • a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. • a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

2.2.2 New Standards, amendments, interpretations issued but not yet effective -continued

Standard	Date issued by IASB	Effective date periods beginning or after	Summary of the requirements and impact assessment
Amendment to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	May-21	1-Jan-23	The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions. The standard is effective for annual periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Sep-14	Deferred indefinitely	The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised. When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognised in full if the underlying assets are impaired. The IASB has decided to defer the effective date for these

2.2.3 Disclosure on Covid-19

(i) Background

The COVID-19 pandemic which started in China in December 2019 and rapidly spread across the world is impacting all aspects of life in a manner that is unprecedented. The impact cuts across businesses, the economy and social interactions. These impacts seem like they will remain for the foreseeable future. In a bid to curtail the spread of the virus, the Federal Government of Nigeria imposed movement restrictions in Lagos and Ogun State as well as the Federal Capital Territory on 29 March 2020. Gradual lifting of movement restrictions has commenced with daily updates announced.

In adapting to the government's response to COVID-19, the Administrator's Management swiftly held a meeting to discuss how employees will work from home and the company will run in its full capacity.

Tools needed to work from home were swiftly distributed to all employees with adequate precautions in place for employees who had to be at work at all cost. And with this, we were able to satisfy all our customers without compromising quality and also able to report on our financials on time and in full.

(ii) Assessment of impact

a) *Impact of COVID-19 on Impairment of Financial Assets*

The Fund does not see a significant impairment impact on its financial assets as a result of COVID-19. The Fund's financial assets are predominantly fixed income and sovereign (treasury bills and FGN bonds) in nature and are subsequently classified as stage 1. The stage allocation remains unchanged as there is no significant increase in credit risk. The impact of forward-looking information has also been considered in assessing the impact of COVID-19 on impairment of financial assets. These include GDP growth, exchange rate, country rating, bank rating and inflation. Whilst COVID-19 has negatively impacted all of the forward-looking information, other variables in the computation ensured that the impact remains minimal.

b) *Impact of COVID-19 on Revenue and Cost*

Impact on revenue was not significantly affected by the pandemic because most of the Fund's revenue are generated from fixed income and sovereign (treasury bills and FGN Bonds). Operating expenses is being monitored to ensure that they are well within justifiable limits.

c) *Going concern assessment*

The Fund will continue to assess the status of the fight against the pandemic and its impact on the Fund's business. However, based on current assessment, the Directors are confident that the Going Concern of the Fund will not be threatened and would be able to continue to operate post COVID-19 and in the foreseeable future.

d) *Outlook*

Management is confident that with all the tools put in place to ensure every employee can access the basic information needed to carry out day to day activities, we can continue with business operations uninterrupted.

Notwithstanding, since we cannot reasonably estimate the length or severity of this pandemic, Management would continue to assess the material impact on the Fund's financial position, results of operations, and cash flows in fiscal 2021 and would regularly make appropriate disclosures thereon to all stakeholders.

2.3 Foreign currency translation

a) *Functional and presentation currency*

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ('the functional currency'). The functional currency and presentation currency of the Fund is the Nigerian Naira ₦ or NGN.

b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than the Fund's functional currency are recognised in statement of changes in net assets available for benefits within other income/ (loss). Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Translation differences on non monetary financial assets and liabilities such as equities held at fair value are recognised in statement of changes in net assets available for benefits as part of 'changes in the value of investments'.

2.4 Contributions

Normal and additional contributions, both from the members and employers are generally accounted for on an accrual basis in the payroll period which they relate. In the case of member contributions, this is deducted from the pay.

2.5 Investment income and expenditure

2.5.1 Investment income

Interest income

Interest income is recognised on an accrual basis in the statement of changes in net assets available for benefits. The interest income is determined using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate (EIR), but not future credit losses.

The carrying amount of the financial instrument is adjusted if the Fund revises its estimates of payments or receipts.

2.5.2 *Dividend income*

Dividend income is recognised in the statement of changes in net asset available for benefits when the right to receive dividend income is established, which in the case of quoted equities is the ex-dividend date.

2.5.3 Investment management expenses

Asset based fees are charged against the pension fund assets for the custodian (0.15%) and the Fund administrator (0.21%), for collection and administration of pension Fund assets respectively. These fees are charged as a percentage of monthly closing net asset value of the Fund and are accrued monthly upon portfolio valuation.

2.5.4 Changes in value of investments at fair value

Changes in value of investments at fair value include all changes in fair value and exchange differences. The changes in fair value is determined as the difference between the fair value at year end or consideration received (if sold during the period) and the fair value as at the prior year end or cost (if the investment was acquired during the period). It does not include interest or dividend income.

2.5.5 Other expenses

Other expenses are accounted for on an accruals basis.

2.6 Financial instruments

a) Initial recognition

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date basis.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

b) Classification and measurement

• ***Financial assets***

It is the Fund's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss in which case transaction cost are expensed in profit or loss. The Fund uses settlement date accounting for the recognition of financial assets.

Classification and subsequent measurement is dependent on the Fund's business model for managing the asset and the cash flow characteristics of the asset. On this basis, the Fund may classify its financial instruments as fair value or at amortised cost.
All the Fund's financial assets at amortised cost as at 31 December 2020 satisfy the conditions for classification at amortised cost under IFRS 9.

The Fund's financial assets include Bank balances, investment securities and other assets.

Financial assets at fair value

Financial assets are subsequently classified at fair value if they are acquired principally for the purpose of selling or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Fair values are remeasured at each reporting date all gains and losses are recognised in the statement of changes in net asset available for benefits.

Financial assets at amortised cost

Financial assets at amortised are financial assets that have a fixed redemption value assuming a constant rate of return to maturity that the Fund has acquired to match the obligations of the plan, or specific parts thereof. Financial assets in this portfolio are subsequently measured at amortised cost using the Effective interest rate (EIR) method. Investment at amortised cost include federal government bonds, state government bonds, corporate bonds

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income and the losses arising from impairment are recognised as impairment charge in the statement of changes in net assets available for benefits.

• ***Financial liabilities***

Financial liabilities are initially recognised at fair value and subsequently at amortised cost. The Fund's financial liability includes benefits due, accrued liabilities on fee and commissions, accrued audit fees and other liabilities.

c) Business model assessment

The Fund determines the business models as the level that best reflects how portfolios of financial assets are managed to achieve the Fund's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:

- How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
- Historical and future expectations of sales of investment securities portfolios managed as part of a business model.

The Fund's business models fall into two category, which are indicative of the key strategies used to generate returns:

- Hold-to-Collect (HTC): The objective of this business model is to hold financial assets to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

- Other fair value business models: These business models are neither hold- to-collect nor hold-to-collect and sell, and primarily represents business models where assets are held-for-trading or managed on a fair value basis.

d) Solely payment of principal and interest (SPPI) assessment

Instruments held within a HTC business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

e) *Fair value measurement*

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

f) Derecognition

• ***Financial assets***

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and the transfer qualifies for derecognition.

• ***Financial liabilities***

The Fund derecognises a financial liability when it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised immediately in the statement of changes in net assets available for benefits.

g) Impairment

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information, that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Fund applies the three-stage general approach of simplified model to determine impairment on financial assets. The three- stage general model is used to determine impairment of investment securities which consists of federal government bonds and treasury bills., while the simplified approach is applied for other receivables.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

• A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Fund.
• If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
• If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
• Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
• A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
• Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The general approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the general approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each aging bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. These three components are multiplied together and adjusted using macro-economic indicators. This effectively calculates an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The key judgements, estimates and assumptions adopted by the Fund in addressing the requirements of the standard are discussed below:

Significant increase in credit risk and default definition

The Fund assesses the credit risk of its financial assets based on the information obtained during periodic review of publicly available information on the entities, industry trends and payment records. Based on the analysis of the information provided, the Fund identifies the assets that require close monitoring.

Financial assets that have been identified to be more than 30 days past due on contractual payments are assessed to have experienced significant increase in credit risk. These assets are grouped as part of Stage 2 financial assets where the general approach is applied.

In line with the Fund's credit risk management practices, a financial asset is defined to be in default when contractual payments have not been received at least 90 days after the contractual payment period. Subsequent to default the Fund carries out active recovery strategies to recover all outstanding payments due on receivables. Where it is determined that there are no realistic prospect of recovery, the financial assets and any related loss allowance is written off either partly or full.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Fund has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The variables are as follows:

Probability of default (PD)

The credit rating of Federal Government bonds was used to reflect the assessment of the probability of default on these receivables. This was supplemented with external data from Fitch to arrive at a 12-month PD. These receivables have relatively low credit risk as they are receivables from investments in government securities. The PD for stage 3 is 100%. An appropriate PD is always applied to stage 1&2. The PD used is based on historical data.

Loss given default (LGD)

The 12-month LGD was calculated as the present value of the percentage loss on the outstanding receivables adjusted with forward looking macroeconomic indicators.

Exposure at default (EAD)

This is the amount that best represents the maximum exposure to credit risk at the end of the reporting period without taking account of any collateral.

Probability Weightings

Probability weightings of historical observations are expected to fall within acceptable bounds, periods of boom and periods of downturn respectively.

Macroeconomic indicators

These are the forward looking information used in adjusting the historical loss determined to arrive at the expected credit loss. The historical inflation rates and GDP growth rates in Nigeria were the economic variables used to determine base, optimistic and downturn scenarios.

2.7 *Write off policy*

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Fund's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

2.8 Funding and Investment policies

Funding policy

The New Fund is funded by both the employer and employee. Monthly contributions are made by the employer and employee into the Fund at a defined percentage of the employee's monthly emolument as shown below:

	Employee	Employer	Total contribution
Non management employees	7%	12%	19%
Management employees	8%	10%	18%

Progress Trust maintains two accounts in respect of each member for the employee and employer contributions respectively. The CPFA invests the contributions in accordance with the related investment guidelines and each members accounts is credited on a monthly basis to reflect the investment returns achieved.

Investment policy

Progress Trust (CPFA) Limited manages the Fund on behalf of the members of the Fund. The investment objectives of the Fund are:

- Safety and maintenance of fair returns;
- Positive risk/reward trade off when compared to similar funds in the market place;
- Asset liquidity sufficient to provide an uninterrupted stream of benefit payments to members when it becomes necessary;
- Asset diversification; and
- Sufficient post employment income for members of the Fund.

Progress Trust ensures diversification and dynamic asset allocation geared towards ensuring a rate of return that is above inflation. Progress Trust may invest in the asset classes below to achieve the investment objectives.

ASSET CLASS
- Fixed income securities: Government securities, Investment grade commercial bills, Investment grade corporate bonds, Supranational bonds and money market instruments
- Equities: Quoted securities, Open-ended/Closed-ended funds
- Real estate investment trust schemes, Mortgage backed securities, Asset backed securities and Infrastructure Funds
- Private equity
- Unquoted investments/Private placements

The investment policies are in line with PenCom guidelines on investment and portfolio assets

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and at bank and other short-term highly liquid investments with original maturities of three months or less.

This comprises of investment account, term deposits and any other bank account approved by PenCom. For the purposes of cash flow, cash and cash equivalents comprises of investment account and term deposits.

2.10 Other assets

Other assets is made up of outstanding contributions, dividend receivable etc. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

2.11 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

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Other assets is made up of outstanding contributions, dividend receivable etc. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

2.11 Comparatives
Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3 Financial risk management

3.1 Introduction
The Fund has exposure to various types of risk that are associated with its investment strategies, financial instruments and markets in which it invests in the normal course of business. These risks include credit risk, liquidity risk, market risk, interest rate risk, exchange rate risk and operational risk, therefore, the value of the investments held by the Fund may fluctuate daily as a result of changes in economic conditions, interest rate, market, and specific news on companies it is invested in. The level of risk is dependent on the Fund's investment objective and the type of securities it invests in.

Risk management is carried out in line with policies approved by the regulators. Specific risk management approaches are defined for each risk the Fund is exposed to.

The Funds' risk management policies are in line with the National Pension commission (PenCom) guidelines and the industry recognised acceptable level of risk on all investment asset classes. PenCom's recommendations on acceptable proportion for portfolio investment by asset class are also adhered to.

The Fundamental investment philosophy of the Fund is to ensure safety, sustainable long-term returns and liquidity in line with the regulation on investment of pension fund assets and risk management framework.

3.1.1 Risk management structure

The investment strategy committee of the pension fund administrator is responsible for the overall risk management approach and for approving the risk management policies, frameworks, strategies and principles. It also has the responsibility to monitor the overall risk process.

The head of the investment strategy management committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is also the responsibility of the head of investment strategy management committee to manage risk decisions and monitor risk levels as well ensure monthly and quarterly risk reports are provided to the investment risk management committee.

The Risk management committee is responsible for monitoring compliance with risk principles, policies and limits across the Pension Fund. This committee also ensures the complete capture of the risks in risk measurement and reporting systems.

3.1.2 Risk mitigation
Risk controls and mitigants, identified are documented for existing and new processes and systems. The adequacy of these mitigants is tested on a periodic basis by the Internal Control team. These are subsequently audited as part of the review process.

3.2 Credit risk
Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, thereby resulting in a financial loss to the Fund. The Fund is subject to credit risk from its holdings in money market instruments, bonds and short term deposits.

3.2.1 Management of credit risk
The Fund limits its exposure to credit loss by investing in instruments and issuers with investment grade credit rating as well as by diversifying among eligible issuers. In addition, counterparty risk is minimized for fixed income securities because the exchange of cash and securities are made simultaneously.

3.2.2 Maximum exposure to credit risk
The following table contains an analysis of the credit risk exposure of financial instruments subjected to impairment. The gross carrying amount of the financial assets below represents the Fund's maximum exposure to credit risk on these assets.

	31-Dec-21				31-Dec-20
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total N'000	Total N'000
Financial assets	N'000	N'000	N'000		N'000
Cash and cash equivalents	5,159,289	-	-	5,159,289	643,701
Investments at amortised cost:					
Federal government bonds	19,466,189	-	-	19,466,189	19,781,810
State government bonds	761,161	-	-	761,161	1,805,216
Corporate bonds	5,193,412	-	-	5,193,412	3,871,647
Promisorry note	126,326			126,326	116,348
Supranational bonds	-	-	-	-	52,351
Treasury bills	830,947	-	-	830,947	419,252
Commercial papers	1,509,806	-	-	1,509,806	1,153,215
Loss allowance	(51,590)	-	-	(51,590)	(68,036)
Total investment securities at amortised cost	**27,836,252**	-	-	**27,836,252**	**27,131,803**
Other assets	9,236	-	-	9,236	988
Total financial assets	**33,004,776**	-	-	**33,004,776**	**27,776,492**
Net carrying amount	**33,004,776**	-	-	**33,004,776**	**27,776,492**

3.2.3 Credit quality of financial assets

The credit quality of the Fund's financial assets are not impaired and are classified as stage 1.
'The Fund invests in investment grade financial assets, the exposures per credit rating category are stated below:

Cash and cash equivalents	**31 December 2021 N'000**	**31 December 2020 N'000**
BBB	862,924	-
A-	-	266,473
BBB-	1,156,317	300,414
A+	-	-
BBB+	-	-
B-	2,648,354	53,493
B	225,308	23,321
OTHERS	266,386	
	5,159,289	643,701

Investments at amortised cost	**31 December 2021 N'000**	**31 December 2020 N'000**
AAA	-	52,351
A+	-	-
AA	-	-
AA+	-	-
B+	20,353,677	21,703,374
BBB	-	-
BBB-	-	-
BBB+	-	-
B	830,947	419,252
B-	6,703,218	5,024,862
	27,887,841	27,199,839

A' ratings indicate an opinion that the issuer has the current capacity to meet its debt obligations and faces slightly higher solvency risk from changes in business, financial, or economic conditions.

B' ratings indicate that the issuer or carrier is relatively stable with a moderate chance of default.

The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories.

This is based on Fitch national long term rating.

*This represents instruments not rated by Fitch.

3.2.4 Concentration of credit risk

The Fund monitors concentrations of credit by geographical location and sector.

Africa (Nigeria) is the Fund's primary geographical segment. The secondary geographical segment of the Fund is Europe. All the scheme's income is derived from the geographical segments listed below. Additionally, all of the segments' income comprises interest income from investments.

An analysis of concentration of investments by geographical location and sector are shown below:

i) Geographical concentration

31 December 2021	Cash and cash equivalents N'000	Investment securities at amortised cost N'000	Investment at fair value N'000	Other assets N'000	Total N'000
Nigeria	5,159,289	27,836,251	6,263,405	9,236	39,268,181
	5,159,289	27,836,251	6,263,405	9,236	39,268,181

31 December 2020	Cash and cash equivalents N'000	Investment securities at amortised cost N'000	Investment at fair value N'000	Other assets N'000	Total N'000
Nigeria	643,701	27,131,803	6,218,247	988	33,994,739
	643,701	27,131,803	6,218,247	988	33,994,739

ii) Sectoral concentration

The following table breaks down the Fund's credit exposures at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by industry sector

31 December 2021	Cash and cash equivalents N'000	Investment securities at amortised cost N'000	Investment at fair value N'000	Other assets N'000	Total N'000
Government	-	22,642,838	-	-	22,642,838
Financial services	5,159,289	5,193,412	373,797	-	10,726,499
Manufacturing sector	-	-	1,260,280	-	1,260,280
Others	-	-	4,629,327	9,236	4,638,563
	5,159,289	27,836,251	6,263,405	9,236	39,268,181

31 December 2020

	Cash and cash equivalents N'000	Investment securities at amortised cost N'000	Investment at fair value N'000	Other assets N'000	Total N'000
Government	-	23,207,805	-	-	23,207,805
Financial services	643,701	3,923,998	3,952,923	-	8,520,622
Manufacturing sector	-	-	1,277,506	-	1,277,506
Others	-	-	987,818	988	988,806
	643,701	27,131,803	6,218,247	988	33,994,739

3.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities. The Fund is exposed to liquidity risk in meeting regular withdrawals by retired/retiring subscribers or other obligations. The risk could arise from mismatches in the timing of cash flows under both normal and stress circumstances.

3.3.1 Management of liquidity risk

The Funds' liquidity risk is managed by investing the majority of its assets in investments that are traded in an active market and can be easily disposed. The main objective of the Funds' liquidity risk framework is to maintain sufficient liquidity in order to ensure that maturing obligations are met.

As at 31 December 2021, most of the Fund's investments are considered readily realisable and highly liquid, therefore, the Fund's liquidity risk is considered minimal.

3.3.2 Maturity analysis of financial liabilities

All the financial liabilities of the Fund mature within 12 months from the reporting date based on the remaining period from the statement of net assets available for benefits date to the contractual maturity date.

3.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices; credit spreads (not relating to changes in the obligor's/issuers credit standing) will affect the Fund's income or the fair value of its holding of financial instruments. The Fund's market risk is affected by three main components: changes interest rates, foreign exchange prices and actual market prices.

3.4.1 Management of market risk

The main objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is monitored regularly by the pension fund administrators to identify any adverse movement in the underlying variables. The market price risk is managed and reduced through a careful selection of securities and sectors bearing in mind market uncertainties. Also, the risk is managed through compliance with investment guidelines, staying within limits and adherence to the rebalancing policy which allows for bringing within limit any security which may have exceeded its limit as a result of market movements, monitoring of market events and their potential impact on overall exposures as well as diversification of assets held.

3.4.2 Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk). The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Fund is exposed to market risk on its equity investments and mutual funds.

	31 December 2021	31 December 2020
	N'000	N'000
Quoted equity investments	2,854,030	2,644,494
Mutual funds	976,689	1,634,202
	3,830,719	4,278,696

Sensitivity analysis for market price risk

The sensitivity analysis for market price risk shows how the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price. The sensitivity of the Fund's earnings to fluctuations in market price rates is reflected by varying the market prices as shown below:

	31 December 2021	31 December 2020
	N'000	N'000
Increase in market prices by 5%	191,536	132,225
Decrease in market prices by 5%	(191,536)	(132,225)
Increase in market prices by 10%	383,072	264,449
Decrease in market prices by 10%	(383,072)	(264,449)
Increase in market prices by 15%	574,608	396,674
Decrease in market prices by 15%	(574,608)	(396,674)

3.4.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. However, the Fund is not exposed to interest rate risk as there are no fixed interest rate instruments measured at fair value and no floating interest rate instruments measured at amortised cost.

Financial Assets 31 December 2021	**Notes**	**Fixed N'000**	**Floating N'000**	**Non-interest bearing N'000**	**Total N'000**
Cash and cash equivalents	11	-	-	5,159,289	5,159,289
Federal government bonds	12.2	19,466,189	-	-	19,466,189
State government bonds	12.2	761,161	-	-	761,161
Corporate bonds	12.2	5,193,412	-	-	5,193,412
Supranational bonds	12.2	-	-	-	-
Treasury bills	12.2	830,947	-	-	830,947
Promissory note	12.2	126,326			126,326
Commercial papers	12.2	1,509,806	-	-	1,509,806
Quoted equity investments	12.1	-	-	2,854,030	2,854,030
Infrastructure fund	12.1	-	-	1,503,616	1,503,616
Private equity	12.1	-	-	929,070	929,070
Mutual funds	12.1	-	-	976,689	976,689
Other assets	13	-	-	9,236	9,236
Impairment	12.2	(51,590)	-	-	(51,590)
		27,836,252	-	11,431,930	39,268,181

Financial Assets 31 December 2020	Notes	Fixed N'000	Floating N'000	Non-interest bearing N'000	Total N'000
Cash and cash equivalents	11	-	-	643,701	643,701
Federal government bonds	12.2	19,781,810	-	-	19,781,810
State government bonds	12.2	1,805,216	-	-	1,805,216
Corporate bonds	12.2	3,871,647	-	-	3,871,647
Supranational bonds	12.2	52,351	-	-	52,351
Treasury bills	12.2	419,252	-	-	419,252
Promissory note	12.2	116,348			116,348
Commercial papers	12.2	1,153,215	-	-	1,153,215
Quoted equity investments	12.1	-	-	2,644,494	2,644,494
Infrastructure fund	12.1	-	-	1,410,738	1,410,738
Private equity	12.1	-	-	528,812	528,812
Mutual funds	12.1	-	-	1,634,202	1,634,202
Other assets	13	-	-	988	988
Impairment	12.2	(68,036)	-	-	(68,036)
		27,131,803	-	6,862,935	33,994,738

All financial liabilities are non-interest bearing.

3.4.4 Foreign exchange risk

The Fund invests in financial instruments that are denominated in currencies other than its functional currency, which is the Nigerian Naira. Consequently, the Fund is exposed to the risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Fund's financial assets.

31 December 2021

	US Dollars N'000	Naira N'000	Total N'000
Cash and cash equivalents	200	5,159,089	5,159,289
Investments at fair value	1,248,830	5,014,575	6,263,405
Investment at amortized costs	-	27,836,251	27,836,251
Other asset	-	9,236	9,236
	1,249,030	38,019,151	39,268,181

31 December 2020

	US Dollars N'000	Naira N'000	Total N'000
Cash and cash equivalents	84	643,617	643,701
Investments at fair value	1,248,830	4,969,417	6,218,247
Investment at amortized costs	-	27,131,803	27,131,803
Other asset	-	988	988
	1,248,914	32,745,825	33,994,739

Sensitivity analysis for foreign exchange risk

The sensitivity analysis for currency rate risk shows how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates. The analysis includes only outstanding foreign currency denominated monetary items and the adjusted translated value tested using different percentage changes.

The sensitivity of the Fund's earnings to fluctuations in dollar exchange rates is reflected by varying the exchange rates as shown below:

	31 December 2021	31 December 2020
	N'000	N'000
Increase in exchange rate by 5%	62,451	62,446
Decrease in exchange rate by 5%	(62,451)	(62,446)
Increase in exchange rate by 10%	124,903	124,891
Decrease in exchange rate by 10%	(124,903)	(124,891)
Increase in exchange rate by 15%	187,354	187,337
Decrease in exchange rate by 15%	(187,354)	(187,337)

3.4.4 Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk). The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Fund is exposed to market risk on its equity investments and mutual funds.

	31 December 2021	31 December 2020
	N'000	N'000
Quoted equity investments	2,854,030	2,644,494
Mutual Funds	976,689	1,634,202
	3,830,719	4,278,696

Sensitivity analysis for market price risk

The sensitivity analysis for market price risk shows how the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price. The sensitivity of the Fund's earnings to fluctuations in market price rates is reflected by varying the market prices as shown below:

	31 December 2021	31 December 2020
	N'000	N'000
Increase in market prices by 5%	191,536	213,935
Decrease in market prices by 5%	(191,536)	(213,935)
Increase in market prices by 10%	383,072	427,870
Decrease in market prices by 10%	(383,072)	(427,870)
Increase in market prices by 15%	574,608	641,804
Decrease in market prices by 15%	(574,608)	(641,804)

3.4.5 Financial instruments by category

The Pension Fund's retirement benefit plan assets are classified as investments at fair value or investment at amortised cost and the financial liabilities are classified into other liabilities at amortised cost.

Financial assets are classified in the statement of net assets available for benefits according to the requirement of IFRS 9 for financial instrument and IAS 32 for other financial assets.

The Pension Funds' classification of its financial assets is summarised in the table below:

31 December 2021 Financial assets	**Notes**	**Investments at fair value N'000**	**Investments at amortised cost N'000**	**Total N'000**
Cash and cash equivalents	11	-	5,159,289	5,159,289
Investment securities:				
Federal government bonds	12.2	-	19,466,189	19,466,189
State government bonds	12.2	-	761,161	761,161
Corporate bonds	12.2	-	5,193,412	5,193,412
Supranational bonds	12.2		-	-
Treasury bills	12.2	-	830,947	830,947
Promisory note	12.2		126,326	126,326
Commercial papers	12.2	-	1,509,806	1,509,806
Quoted equity investments	12.1	2,854,030	-	2,854,030
Infrastructure funds	12.1	1,503,616	-	1,503,616
Private equity	12.1	929,070		929,070
Mutual funds	12.1	976,689	-	976,689
Other assets	13	-	9,236	9,236
Impairment	12.2	-	(51,590)	(51,590)
Total financial assets		6,263,405	33,004,776	39,268,181

31 December 2020 Financial assets		**Investments at fair value N'000**	**Investments at amortised cost N'000**	**Total N'000**
Cash and cash equivalents	11	-	643,701	643,701
Investment securities:				
Federal government bonds	12.2	-	19,781,810	19,781,810
State government bonds	12.2	-	1,805,216	1,805,216
Corporate bonds	12.2	-	3,871,647	3,871,647
Supranational bonds	12.2		52,351	52,351
Commercial papers	12.2	-	1,153,215	1,153,215
Quoted equity investments	12.1	2,644,494	-	2,644,494
Infrastructure funds	12.1	1,410,738	-	1,410,738
Private equity	12.1	528,813		528,813
Mutual funds	12.1	1,634,202	-	1,634,202
Other assets	13	-	988	988
Impairment	12.2	-	(68,036)	(68,036)
Total financial assets		6,218,247	27,776,492	33,994,739

Financial liabilities (Amortised cost)

	Notes	**31 December 2021 N'000**	**31 December 2020 N'000**
Benefit payable	14	1,170,491	94,139
Accrued payables to custodian	14	5,199	4,626
Accrued payable to PenCom	14	3,224	2,870
Fund management fees payable	14	6,585	6,477
Other liabilities	15	11,458	7,431
Interfund liabilities	14	127,060	23,052
		1,324,016	138,595

Financial liabilities exclude interfund balance as this is a non financial instrument.

3.5 Fair value measurement

IFRS 13 requires the Fund to classify measured or disclosed fair values according to hierarchy that reflects the significance of observable inputs

3.5 Fair value measurement (contd)

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, which comprises three levels as described below, based on the lowest level input that is significant to the fair value measurement as a whole.

Fair value methods and assumptions

Financial assets are measured at fair value and ultimate redemption value (amortised cost) while financial liabilities are measured at amortised

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities. A market is regarded as active if
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all assets and

Financial instruments not measured at fair value

	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
	N'000	N'000	N'000	N'000
Financial assets				
Federal government bonds	19,466,189	20,431,375	19,781,810	26,654,709
State government bonds	761,161	716,364	1,805,216	2,076,795
Corporate bonds	5,193,412	4,294,885	3,871,647	4,718,036
Supranational bonds	-	-	52,351	52,772
Treasury bills	830,947	809,289	419,252	419,948
Commercial papers	1,509,806	1,509,805	1,153,215	1,152,941
Promisory note	126,326	116,348	116,348	116,348
Cash and cash equivalents	5,159,289	5,159,289	643,701	643,701
Other assets	9,236	9,236	988	988
Impairment	(51,590)	-	(68,036)	-
	33,004,776	33,046,591	27,776,492	35,836,239
Financial liabilities				
Benefit payable	1,479	1,479	94,139	94,139
Payables to custodian and pencom	7,431	7,431	7,496	7,496
Fund management fees payable	-	-	6,477	6,477
Other liabilities	-	-	7,431	7,431
	8,910	8,910	115,543	115,543

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets	N'000	N'000	N'000	N'000
Federal government bonds	20,431,375	-	-	20,431,375
State government bonds	716,364	-	-	716,364
Corporate bonds	4,294,885	-	-	4,294,885
Supranational bonds	-	-	-	-
Treasury bills	809,289	-	-	809,289
Commercial papers	1,509,805	-	-	1,509,805
Promissory notes	116,348	-	-	116,348
Cash and cash equivalents	-	5,159,289	-	5,159,289
Other assets	-	9,236	-	9,236
	27,878,066	5,168,525	-	33,046,591

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets	N'000	N'000	N'000	N'000
Federal government bonds	26,654,709	-	-	26,654,709
State government bonds	2,076,795	-	-	2,076,795
Corporate bonds	4,718,036	-	-	4,718,036
Supranational bonds	52,772	-	-	52,772
Treasury bills	419,948	-	-	419,948
Commercial papers	1,152,941	-	-	1,152,941
Promissory notes	116,348	-	-	116,348
Cash and cash equivalents	-	643,701	-	643,701
Other assets	-	988	-	988
	35,191,550	644,689		35,836,239

The carrying amounts of the financial liabilities approximate their fair values.

Financial instruments measured at fair value

31 December 2021 **Financial assets**	**Level 1** **N'000**	**Level 2** **N'000**	**Level 3** **N'000**	**Total** **N'000**
Quoted equity investments	243,901	-	-	243,901
Unquoted equity investments	-	-	-	-
Infrastructure Fund	-		(93,288)	(93,288)
Private Equity Fund	-	-	265,095	265,095
Mutual funds	1,634,202	-	16,332	1,650,534
	1,878,103	-	188,140	2,066,242

31 December 2020 **Financial assets**	**Level 1** **N'000**	**Level 2** **N'000**	**Level 3** **N'000**	**Total** **N'000**
Quoted equity investments	2,644,494	-	-	2,644,494
Infrastructure Fund	-	-	1,410,738	1,410,738
Private Equity Fund	-	-	528,813	528,813
Mutual funds	1,634,202	-	-	1,634,202
	4,278,696	-	1,939,551	6,218,247

There are no financial liabilities measured at fair value as at the reporting date.

Transfers between the fair value hierarchy categories

During the three reporting periods covered by these financial statements, there was no movement between levels as a result of significant inputs to

Fair value measurement using significant unobservable inputs (level 3)
The following table presents the changes in level 3 items for the periods ended 31 December 2021 and 31 December 2020.

	Infrastructure funds **N'000**	**Private equity funds** **N'000**	**Total** **N'000**
Opening balance 1 January 2020	1,280,166	527,810	1,807,976
Acquisitions	221,068	11,688	232,756
Disposals	-	-	-
Gains recognised in profit/loss	(90,496)	(10,686)	(101,182)
Closing balance 31 December 2020	**1,410,737**	**528,812**	**1,939,551**
Acquisitions	135,163	-	135,162
Disposals	-	-	-
(Losses) recognised in profit/ loss	265,095	16,332	281,427
Closing balance 31 December 2020	**1,810,995**	**545,144**	**2,356,139**

Level 3 financial instruments relates to unlisted instruments and since quoted market prices are not available, the fair value were derived from the Net asset valuation based on fund manager's report.

Information about the fair value measurements using significant unobservable Inputs (Level 3)

Description	**Fair value at 31 December 2021**	**Valuation technique**	**Unobservable input**	**Share of Net assets**	**Reasonable possible shift +/- (absolute value)**	**Change in valuation(+/-)**
Infrastructure Fund						
Infrastructure Fund	1,503,616	Net asset valuation based	Net asset valuation	1,503,616	10%	150,362
NIDF	976,689			976,689		97,669
Private Equity Fund						
Private Equity Fund	929,070	Net asset valuation based on fund manager's report	Net asset valuation	929,070	10%	92,907
Total	**3,409,375**					

Description	**Fair value at 31 December 2020**	**Valuation technique**	**Unobservable input**	**Share of Net assets**	**Reasonable possible shift +/- (absolute value)**	**Change in valuation (+/-)**
Infrastructure Fund						
Infrastructure Fund	535,669	Net asset	Net asset	535,669	10%	53,567
NIDF	875,068	valuation based	valuation	875,068		87,507
Private Equity Fund						
Private Equity Fund	528,813	Net asset valuation based on fund manager's report	Net asset valuation	528,813	10%	52,881
Total	**1,939,550**					

4) Significant estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions in the process of applying the Fund's accounting policies that affect the reported amounts of revenues, expenses, assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected

The key assumption concerning the future and other key sources of estimation uncertainty as at the reporting date, that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are described below:

4.1 Allowances for credit losses

The measurement of the expected credit loss allowance for debt financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of counter party defaulting and the resulting losses). Explanation of the inputs, assumptions and techniques used in measuring ECL is further detailed in note 2.6 (g)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
• Determining criteria for significant increase in credit risk;
• Choosing appropriate models and assumptions for the measurement of ECL;
• Establishing the number and relative weightings of forward-looking scenarios for each type of security and the associated ECL; and
• Establishing groups of similar financial assets for the purposes of measuring ECL.

4.2 Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded or disclosed in the financial statements cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 3.5 for further disclosures.

4.3 Asset liability matching

Asset and liability matching entails projecting specific timing of cash flows of financial assets to ensure that there is sufficient liquidity available for meeting obligations as they fall due. The Fund has demonstrated its ability to match its investment assets to its obligations. Therefore, all investments assets except equity investments and mutual funds have been measured at amortised cost. The Fund Administrator made the following assumptions:

- the Fund will be in existence for the period covered by the matching;
- growth in payables by 10% from 2020-2025. This is driven mainly by the membership of the Fund and the expected competitive business environment in the period under reference; and
- all members of the Fund will live out the estimated lifespan.

		31 December 2021 N'000	31 December 2020 N'000
5	**Contributions during the year**		
	Employer/employee contributions	3,377,695	3,221,563
		3,377,695	3,221,563

		31 December 2021 N'000	31 December 2020 N'000
6	**Other income**		
	Foreign exchange gain on dollar denominated bank balances	15,915	52
	Foreign exchange gain on dollar denominated investments	-	-
		15,915	52
	Miscellaneous income	1,477	1,149
		17,392	1,201

Miscellaneous Income relates to reversal of excess accruals for expenses in prior year no longer required.

		31 December 2021 N'000	31 December 2020 N'000
7	**Benefits paid**		
	Payments to and on account of leavers	1,374,344	331,608
	Pension payments to retirees	1,584,901	571,805
	Death benefit	6,373	35,427
	Contributions on account of leavers	537,296	494,816
		3,502,914	1,433,656

		31 December 2021 N'000	31 December 2,020 N'000
8	**Administrative expenses**		
	Audit fees	6,398	5,952
	Other expenses	234	3,134
		6,632	9,086

9 Investment income

	31 December 2021 N'000	31 December 2020 N'000
Income from investments at fair value		
Dividend income	185,500	146,694
Income from infrastructure fund	84,313	80,484
Income from equities	20,967	21,090
	290,780	248,268
Interest income calculated using the effective interest rate method		
Income from federal government bonds	2,564,285	2,530,433
Income from state government bonds	92,338	259,894
Income from supranational bonds	484	9,356
Income from corporate bonds	517,631	389,292
Income from treasury bills	44,598	21,624
Income from commercial papers	141,195	92,877
Income from promissory notes	9,978	5,561
	3,370,509	3,309,037
Income from cash and cash equivalent	267,374	59,064
Total income from investment at amortised cost	3,637,883	3,368,101

10 Investment management expenses

	31 December 2021 N'000	31 December 2020 N'000
Pension fund administrator fees	79,498	69,833
Pension fund custodian fees	58,742	49,881
Regulatory fees	36,429	30,990
	174,669	150,704

11 Cash and cash equivalents

	31 December 2021 N'000	31 December 2020 N'000
Dollar domiciliary account	200	84
Current account	266,193	23,236
Short term deposits	4,892,896	620,381
	5,159,289	643,701

All cash and cash equivalents are current in nature.

The Fund assessed its money in bank accounts, including amounts held as term deposits to determine their expected credit losses. Based on this assessment, it was identified that the expected losses as at 1 January 2021 and 31 December 2021 were insignificant as the loss rate is nil. All cash and cash equivalents are assessed to be in stage 1.

12 Investments

12.1 Investments at fair value

	31 December 2021 N'000	31 December 2020 N'000
Quoted equity investments	2,854,030	2,644,494
Infrastructure Fund	1,503,616	1,410,738
Private Equity Fund	929,070	528,813
Mutual funds	976,689	1,634,202
	6,263,405	6,218,247

All investments at fair value are non-current in nature.

12.1.1 Movement in investments at fair value

31 December 2021	Opening balance N'000	Additions N'000	Disposals N'000	Changes in value of investments N'000	Closing balance N'000
Quoted equity investments	2,644,494	-	(34,364)	243,901	2,854,030
Infrastructure Fund	1,410,738	186,167	-	(93,288)	1,503,616
Private Equity Fund	528,812	135,163	-	265,095	929,070
Mutual funds	1,634,202	-	(673,846)	16,332	976,689
	6,218,246	321,330	(708,210)	432,040	6,263,405

31 December 2020	Opening balance N'000	Additions N'000	Disposals N'000	Changes in value of investments N'000	Closing balance N'000
Quoted equity investments	1,779,300	338,222	-	526,972	2,644,494
Infrastructure Fund	1,280,166	221,068	-	(90,496)	1,410,738
Private Equity Fund	527,810	11,688	-	(10,685)	528,812
Mutual funds	404,032	1,190,568	-	39,602	1,634,202
	3,991,308	1,761,546	-	465,392	6,218,246

12.1.2 Changes in value of Investments

	31 December 2021 N'000	31 December 2020 N'000
Foreign exchange gain on investments at fair value	-	129,282
Fair value gain/(loss) on investments at fair value	432,040	307,456
	432,040	436,738

12.2 Investments at amortised cost

	31 December 2021 N'000	31 December 2020 N'000
Federal government bonds	19,466,189	19,781,810
State government bonds	761,161	1,805,216
Corporate bonds	5,193,412	3,871,647
Supranational bonds	-	52,351
Treasury bills	830,947	419,252
Commercial papers	1,509,806	1,153,215
Promissory notes	126,326	116,348
	27,887,841	27,199,839
Impairment on financial asset	(51,590)	(68,036)
	27,836,251	27,131,803
Analysed as follows:		
Current	3,421,984	2,653,699
Non current	24,414,265	24,478,103
	27,836,251	27,131,802

12.2.1 Reconciliation of impairment

	31 December 2021 N'000	31 December 2020 N'000
At the beginning of the year	(68,036)	(55,865)
Impairment Write back/(charge) for the year	16,446	(12,171)
At the end of the year	(51,590)	(68,036)

13 Other assets

	31 December 2021 N'000	31 December 2020 N'000
Other receivables	9,236	988

The Fund has assessed other receivables to determine their expected credit losses. Based on this assessment, it was identified that the expected losses as at 1 January 2021 and 31 December 2021 were insignificant as the loss rate is nil. All other assets are assessed to be in stage 1 and are expected to be received within 30 days.

Other receivables include contribution due not received.

All other receivables are current in nature as they are receivable within one year.

14 Benefits and fees liabilities

	31 December 2021 N'000	31 December 2020 N'000
Benefits payable	1,170,491	94,139
Accrued payables to custodian	5,199	4,626
Accrued payables to PenCom	3,224	2,870
Interfund balance- payables	127,060	23,052
Fund management fees payable (see note 18)	6,585	6,477
	1,312,559	131,164

All benefits and fees liabilities are current in nature as they fall due within one year.

15 Other liabilities

	31 December 2021 N'000	31 December 2020 N'000
Accrued audit fees	6,398	5,952
Other payables	5,060	1,479
	11,458	7,431

All other liabilities are current in nature as they fall due within one year.

16 Tax status of the fund

Progress Trust (CPFA) Limited New Fund has been approved by the tax authorities i.e. the Federal Inland Revenue Services (FIRS) and the Fund is exempt from income tax on its income from all investments.

17 Contingent liabilities and commitments

At the reporting date, the Fund had no pending litigations and commitments (2020:nil).

18 Related party transactions

The Fund Administrator, Progress Trust (CPFA) Limited, is wholly owned by Nigerian Breweries Plc.

During the year, the Fund Administrator charged the Fund N79 million (2020: N65 million) (VAT Exclusive) being 0.19% (2020: 0.21%) of the monthly net asset as fund administration fees. The fund management fees payable to Progress Trust (CPFA) Limited at 31 December 2020 was N6.6 million (2020: N6.5 million) (See note 14).

19 Events after the reporting date

There are no events that occurred after the reporting date that are deemed to have an adjusting effect on the financial statements (2020:nil)

20 Cash flow workings

(a) Other assets

	Notes	31 December 2021 N'000	31 December 2020 N'000
Balance at the beginning of the year	13	988	8,328
Cash inflow		8,248	(7,340)
Balance as at end of the year	13	9,236	988

(b) Other liabilities

	Notes	31 December 2021 N'000	31 December 2020 N'000
Balance at the beginning of the year	15	7,431	8,824
Cash outflow		4,027	(1,393)
Balance as at end of the year	15	11,458	7,431

(c) Benefits and fees liabilities

	Notes	31 December 2021 N'000	31 December 2020 N'000
Balance at the beginning of the year	14	131,164	142,729
Cash outflow		1,181,395	(11,565)
Balance as at end of the year	14	1,312,559	131,164

(d) Investment securities

	Notes	31 December 2021 N'000	31 December 2020 N'000
Balance at the beginning of the year	12.2	27,199,839	21,290,774
Redemption of treasury bills		(592,000)	(357,000)
Acquisition of treasury bills		959,097	399,113
Redemption of FGN bonds		(1,670,053)	(300,000)
Acquisition of FGN bonds		1,305,065	2,995,279
Redemption of corporate bonds		(350,000)	-
Acquisition of corporate bonds		1,767,538	2,139,660
Acquisition of commercial papers		3,197,070	1,800,353
Redemption of commercial papers		(2,806,859)	(1,438,686)
Redemption of state government bonds		-	-
Acquisituion of state government bond		300,000	459,817
Acquisition of promisory note		-	116,349
Interest receivable on investment securities		(1,421,856)	94,180
Balance as at end of the year	12.2	27,887,841	27,199,839

(e) **Interest received**	**Notes**	**31 December 2021 N'000**	**31 December 2020 N'000**
Interest income	9	3,370,509	3,309,037
Interest receivable at the end of the year (see note 20(d))		1,421,856	94,180
Interest received		4,792,365	3,214,857

21 **Non Audit services**

The external auditors did not provide any non-audit service during the year.(2020: Nill)

Other National Disclosures

Progress Trust (CPFA) Limited (New Fund)
Other national disclosures
For the year ended
Value Added Statements

	31 December 2021 N'000	%	31 December 2020 N'000	%
Gross income	4,387,909	59	4,033,051	60
Bought-in services (Local)	(174,669)	(2)	(150,704)	(2)
Total contributions	3,377,695	43	3,221,563	42
Value added	7,590,935	100	7,103,910	100
Applied as follows:				
To pay members				
Retirement benefits paid	3,502,914	46	1,433,656	47
To provide for enhancement of assets and growth:				
Surplus retained in the Fund	4,088,021	54	5,670,254	53
Value added	7,590,935	100	7,103,909	100

Statement of net assets available for benefits

	IFRS				NGAAP
	2021	**2020**	**2019**	**2018**	**2017**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
ASSETS					
Cash and cash equivalents	5,159,289	643,701	3,102,898	1,170,886	4,766,587
- Investments at fair value	6,263,405	6,218,247	3,991,308	3,109,768	3,266,698
- Investment at amortised cost	27,836,251	27,131,803	21,234,909	20,941,512	13,591,081
Other assets	9,236	988	8,328	262,932	1,138
Total assets	**39,268,181**	**33,994,739**	**28,337,443**	**25,485,098**	**21,625,504**
Financed by:					
LIABILITIES					
Benefits and fees liabilities	1,312,559	131,164	142,729	397,147	328,201
Other liabilities	11,458	7,431	8,824	9,667	12,308
Total liabilities	**1,324,017**	**138,595**	**151,553**	**406,814**	**340,509**
Net assets available for benefits	**37,944,164**	**33,856,144**	**28,185,890**	**25,078,284**	**21,284,995**

Statement of changes in net assets available for benefits

	IFRS				NGAAP
	2021	**2020**	**2019**	**2018**	**2017**
Financial result	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Employer contributions	3,377,695	1,897,669	1,723,964	1,813,745	1,721,103
Employee contributions	-	1,323,894	1,193,064	1,228,631	1,161,490
Contributions on account of leavers	(537,296)	(494,816)	(420,473)	360,856	239,126
Transfer from other plans	-	-	-	-	-
Benefits paid					
Payments to and on account of leavers	(1,374,344)	(331,608)	(449,654)	(1,406,397)	(1,060,823)
Pension payments to retirees	(1,584,901)	(571,805)	(2,237,598)	(690,152)	(348,209)
Death benefit	(6,373)	(35,427)	(50,083)	(10,324)	(23,906)
Net additions/ (reductions) from dealings with members	**(125,217)**	**1,787,908**	**(240,780)**	**1,296,358**	**1,688,781**
Net returns on investment:					
Investment income	3,928,663	3,616,369	3,709,078	3,051,435	2,635,481
Profit/(loss) on disposal of investments	-	-	-	20,683	24,793
Change in value of investments	432,040	436,738	(243,396)	(352,756)	651,947
Investment management expenses	(174,669)	(150,704)	(128,797)	(152,174)	(138,266)
Impairment on financial assets	16,446	(12,171)	12,441	(30,690)	-
Other income	17,392	1,201	7,316	7,214	(2,444)
Administrative expenses	(6,632)	(9,086)	(8,256)	(9,167)	(10,607)
Increase in net assets available for benefits	4,088,022	5,670,255	3,107,606	3,830,903	4,849,685
Net assets available for benefit at the beginning of the year	33,856,144	28,185,890	25,078,284	21,284,995	16,435,310
Changes on initial application of IFRS 9	-	-	-	(37,616)	
Net assets available for benefits at the end of the year	**37,944,164**	**33,856,145**	**28,185,890**	**25,078,284**	**21,284,995**