



**TotalEnergies**

**TOTALENERGIES EP NIGERIA STAFF (NON-CONTRIBUTORY) PENSION FUND**

**Audited Financial Statements  
For the year ended 31 December 2022  
Together with Trustees' and Auditor's Report**

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## Corporate Information

<b>Legal Name:</b>	TotalEnergies EP Nigeria Staff Non-Contributory Pension Fund
<b>Company Secretary:</b>	Ayodele Afolabi 35, Kofo Abayomi Street Victoria Island, Lagos
<b>Registered Office:</b>	TotalEnergies EP Nigeria CPFA Limited 35, Kofo Abayomi Street Victoria Island Lagos
<b>Auditor:</b>	Ernst & Young 10th & 13th Floor UBA House 57, Marina Lagos, Nigeria
<b>Custodian:</b>	Zenith Pensions Custodian 4 <sup>th</sup> & 5 <sup>th</sup> Floor, Civic Towers Ozumba Madiwe Street Victoria Island Lagos
<b>Principal Banker:</b>	Zenith Bank Plc Plot 84, Ajoye Adeogun Street Victoria Island Lagos
<b>Actuary:</b>	Alexander Forbes Consulting Actuaries Nigeria Ltd Consultants and Actuaries 2 <sup>nd</sup> Floor Rio Plaza 235 Muri Okunola Street Victoria Island Lagos
	<b>Firm FRCN:</b> FRC/2017/NAS/00000016625 <b>Valuation:</b> Wayne van Jaarsveld <b>FRCN:</b> FRC/2021/002/00000024507
<b>Fund Administrator and Sole Trustee:</b>	TotalEnergies EP Nigeria CPFA Limited 35, Kofo Abayomi Street Victoria Island Lagos

## **Trustee's Report**

**For the year ended 31 December 2022**

### **Statement of Corporate Governance**

TotalEnergies EP Nigeria CPFA Limited is the administrator and sole trustee of the Fund. TotalEnergies EP Nigeria CPFA Limited is committed to being an effective and accountable company, and its Board of Directors recognise the role of a proper governance framework and effective guidelines and procedures, policies and processes in the efficient administration of the company towards the achievement of its objectives. A Statement of Corporate Governance Guidelines has been established in line with the regulatory framework established by the National Pension Commission (PenCom) and demonstrates TotalEnergies EP Nigeria CPFA Limited's commitment to applying best business practices and ethical standards in all aspects of its operations.

### **Nature and Purpose**

The TotalEnergies EP Nigeria Staff Non-contributory Pension Fund was established by Total E&P Nigeria Limited - TEPNG (Now TotalEnergies EP Nigeria Limited) in 1993 as a separate fund to accumulate resources for the purpose of meeting obligations under her End of Service Benefit Scheme. The Scheme, a defined benefit plan, provides pension benefits to all qualifying employees of TEPNG ("the Sponsor" or "the Company") retiring in line with the Scheme rules and regulations. Nigerian employees of TEPNG qualify for membership of the Scheme upon confirmation of employment. The TEPNG Pension scheme was closed to new entrants on 31st December 2013. All employees recruited after this date fall under the Contributory Pension Scheme (CPS), and their contribution paid to a Pension Fund Administrator (PFA) of their choice.

Pension benefits payable to qualifying members are calculated based on an accrual rate of 2% of the employee's final pensionable salary multiplied by the completed years of accredited service.

Pensionable salary is defined as the employee's terminal consolidated salary plus leave allowance plus end of year bonus.

A member who has completed a minimum of 15 years' accredited service shall be entitled to normal pension benefits upon attaining the normal retirement age of 35 years of service or 60 years of age; whichever comes earlier. Furthermore, members with 15 or more years of accredited service may qualify for voluntary early retirement and pension benefits would become payable upon attainment of 45 years of age provided that the pension would be discounted at 3% for each year that the member elects to retire before attaining the age of 50 years. However, members qualified for pension and retiring on health grounds as certified by the Company's medical board are entitled to pension benefits payable from the date of their retirement provided such date meets the minimum age for early pension or 45 years. The 3% yearly discounting rule shall not apply in this case.

The normal retirement age under the Scheme is 60 years effective 1 January 2015. A member who leaves the Company's service to take up employment in another establishment or while still in the Company's service opts out of the Scheme to join a different Scheme, may elect that the pension benefit due to him/her, based on the Scheme's Transfer Value rules, be transferred to a designated Retirement Savings Account (RSA) opened with a licensed Pension Fund Administrator (PFA) of his/her choice.

### **Nature and Purpose - Continued**

All accredited Company services from 1 January 2005 are pensionable. The pension rights of a member who leaves the Company's service with less than 15 years' accredited service shall accrue for only Company service rendered from 1 January 2005 to the date of leaving.

Under the Scheme's rules, a member may elect to have a maximum of 50% of his/her annual pension multiplied by a Commutation Factor commuted to lumpsum payment at the date of exit. The Commutation Factor is an age related actuarially determined multiplier that takes account of the Scheme's accrual rates/benefits replacement ratio, mortality rate, returns/time value of money indices, etc. Any commuted pension amount shall be forfeited and member's future pension entitlements shall be based on the balance only.

### **Contributions**

The Pension Scheme is non-contributory and is funded by the Sponsor, TotalEnergies EP Nigeria Limited together with its venture partners in the ratio of the respective interests in the partnerships. The Scheme's Actuary determines funding obligations based on the Scheme rules and regulations and relevant economic and demographic assumptions and makes recommendations on the funding.

Contributions are done through the Sponsor monthly, for both past service liability and future service projected obligations. Where an actuarial valuation of the scheme as at year end results in a deficit, full accruals are made in the accounts as contribution receivable in respect of such deficits.

### **Benefits**

The Pension Scheme provides for monthly benefits payable to qualifying members from their dates of retirement. The benefit is payable over the pensioner's lifetime and is guaranteed for the first five years of retirement. In the event that a member dies within the five years after retirement, the balance due is payable to the member's registered beneficiaries.

### **Vested benefits**

Benefits awarded under the rules of the Trust Deed shall be regarded as members' inalienable rights and shall, under no circumstances, be withheld or reduced except on grounds of implementation of a court order in specified circumstances.

### **Status of the Fund**

The Scheme is approved by the National Pension Commission (PenCom) as a Closed Pension Scheme under the Pension Reform Act 2014 as amended and is managed by TotalEnergies EP Nigeria CPFA Limited - a licensed Closed Pension Fund Administrator (CPFA). The License Agreement consummating this arrangement was signed between PenCom and the CPFA effective July 2, 2007 .

### **Winding up of the pension fund**

Subject to the approval of the National Pension Commission (PenCom), TEPNG may declare the Pension Fund closed. On the closure date, TEPNG shall be liable to contribute to the Pension Fund an amount, as certified by the actuary that would be required to enable the Pension Fund to provide in full the pension benefits which had fallen due for payment on or before the closure date. Any surplus arising after all liabilities have been liquidated shall belong to TEPNG .

## Trustee's report for the year ended 31 December 2022

TotalEnergies EP Nigeria Staff Non-Contributory Pension Fund  
Audited Financial Statements- 31 December 2022  
Together with Trustees' and Auditor's Report

### Member's right to opt out of the Scheme

In line with provisions of the Pension Reform Act 2014 as amended, every member of the Scheme shall have an inalienable right to opt out of the Scheme for a Defined Contribution Plan. Where a member decides to opt out of the Scheme without leaving the services of the Company, the Fund shall determine the Transfer Value of the accrued pension benefits and transfer the amount to a Retirement Savings Account (RSA) nominated by the member in writing under the option.

This right, available to members, shall be one-way only, i.e. members who opt out of the Defined Benefit Scheme shall not have an opportunity to come back under the Scheme in future.

### Trustee

TotalEnergies EP Nigeria CPFA Limited is the sole trustee to the Fund. The directors who served during the year, were as follows:

		Nationality	Date Appointed/(Resigned)
George Oguachuba	(Chairman)		
Olalere Babasola			(31st October, 2022)
Augustine Okpako			
Frederick Asasa			15th July, 2022
Oluwaseun Orimolade			
Oluwole Oladimeji			1st November, 2022
Ludovic Rossiaud		(French)	
Olutola Mobolurin	(Independent Director)		
Evi Ifekwe			
Victor Ibeawuchi			
Anthony Abolarin			
Tai Oshisanya			(31st March, 2022)
Ifeanyi Ani	(Managing Director)		(16th November, 2022)
Benjamin Okorie-Agidi	(Managing Director)		17th November, 2022

## Membership

Total membership of the Scheme as at 31 December 2022 stood at 1,549 (2021: 1,566)

	2022	2021
In Pension (Retirees)	529	488
In deferred Pension	3	1
In service (15 years and above)	618	673
In service (Less than 15 years)	399	404
	<b>1,549</b>	<b>1,566</b>

**Trustee's report  
for the year ended 31 December 2022**

TotalEnergies EP Nigeria Staff Non-Contributory Pension Fund  
Audited Financial Statements- 31 December 2022  
Together with Trustees' and Auditor's Report

**Financial results**

The results for the year are as follows:

	2022	2021
Net Assets available for benefits as at beginning	337,224,228	311,151,499
Net increase in Fund for the year	25,409,339	26,072,729
	<b>362,633,567</b>	<b>337,224,228</b>

**Funded status**

As at the reporting date, the Net Asset Value (NAV) of the Fund was ₦364.33 billion (2021: ₦337.22 billion). Based on the actuarial valuation of the Fund as at 31 December 2022, the Fund had an actuarial surplus of ₦132.23 billion (2021: surplus of ₦78.49 billion). The present value of pension benefit obligations under the Scheme stood at ₦205.96 billion (2021: ₦217.40 billion) (under a liquidation or vested benefit basis) and ₦232.12 billion (2021: ₦258.78 billion) (on a going-concern or projected benefit basis) .

It is the objective of the Plan's Sponsor, together with the Trustees, to adequately fund the Scheme in order to achieve full funded status in compliance with the relevant provisions of the Pension Reform Act, 2014, as amended and applicable guidelines and regulations issued pursuant to it by PenCom.

**Investment strategy**

The Pension Fund's investment strategy is to ensure compliance with applicable investment rules as provided for in the Pension Reform Act, 2014 as amended and investment guidelines and regulations issued by PenCom pursuant thereto. In broad terms, the objective is to achieve a viable and strong asset base through appropriate asset allocation modules to effectively immunize the Scheme's pension obligations and generate long term surplus. This we seek to accomplish through diligent evaluation of investment opportunities and selection of an optimal portfolio mix of fixed income, real estate, and quoted equities investment grade instruments that will generate rates of return greater than the applicable benchmark rates as well as rates of inflation over the longterm. The drive will always be to strike a balance among the triumvirates of liquidity, safety of funds and returns, consistent with the payment obligation profiles, while ensuring compliance with all subsisting statutory guidelines.

**Events after reporting date**

Refer to Note 28 to the financial statements for disclosure relating to events subsequent to the reporting date.

**Auditors**

Messrs Ernst & Young has expressed their willingness to continue in office as the Fund's auditor in accordance with Section 401(2) of the Companies and Allied Matters Act 2020.

**By Order of the Trustees:**

Secretary to the Board  
Ayodele Afolabi  
FRC/2020/002/00000020582  
Lagos, Nigeria  
28 April 2023

**Statement of trustee's responsibilities in relation to the preparation of financial statements**

The Trustee accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRSs) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011, the Pension Reform Act, 2014 as amended and relevant National Pension Commission guidelines and circulars.

The Trustee further accept responsibility for maintaining adequate accounting records and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error .

The Trustee has made an assessment of the Fund's ability to continue as a going concern and has no reason to believe the Fund will not remain a going concern in the years ahead .

SIGNED ON BEHALF OF THE BOARD OF TRUSTEE OF TOTALENERGIES EP NIGERIA CPFA LIMITED BY:

\_\_\_\_\_  
Signature

Benjamin OKORIE-AGIDI  
Name

FRC/2023/PRO/DIR/003/159369  
FRC Number

**28 April 2023**  
Date

\_\_\_\_\_  
Signature

Oluwole OLADIMEJI  
Name

FRC/2023/PRO/ICAN/070/535230  
FRC Number

**28 April 2023**  
Date



INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF TOTALENERGIES EP NIGERIA STAFF NON-CONTRIBUTORY PENSION FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TotalEnergies EP Nigeria Staff Non-Contributory Pension Fund ("the Fund") which comprise the statement of net assets available for benefits as at 31 December 2022, the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Pension Reform Act, 2014, the National Pension Commission (PENCOM) guidelines and in compliance with the Financial Reporting Council of Nigeria Act No.6, 2011.

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 the International Ethics Standards Board for Accountants' 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 year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TOTALENERGIES EP NIGERIA STAFF NON-CONTRIBUTORY PENSION FUND - Continued

Key Audit Matters – Continued

Key Audit Matter	How the matter was addressed in the audit
<p>Expected Credit Loss (ECL) assessment of financial assets</p> <p>The Fund has significant financial assets which include cash and cash equivalents and financial assets at redemptive value and receivables; these represent about 88% of the total assets.</p> <p>At each reporting date, these financial assets are tested for impairment through ECL model. The estimation of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) requires judgement and for the Fund, the impact may be significant due to the Fund's current financial assets composition.</p> <p>The ECL involves the application of judgement and estimation in determining inputs for ECL calculation, such as:</p> <ul style="list-style-type: none"> <li>- Determining criteria for significant increase in credit risk (SICR) for staging purposes.</li> <li>- Assessing the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables.</li> <li>- Incorporating forward looking information in the model building process.</li> <li>- Factors incorporated in determining the Probability of Default (PD), Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD).</li> <li>- Factors considered in multiple scenarios.</li> </ul> <p>These estimates are driven by a number of factors, changes in which might lead to a significant impact in the impairment value.</p>	<p>Our procedures included following:</p> <ul style="list-style-type: none"> <li>• We reviewed the ECL model prepared by management for computation of ECL on financial assets in line with the requirements of IFRS 9: Financial instruments.</li> <li>• We gained an understanding of how the PDs and LGDs were determined by management.</li> <li>• We tested the historical accuracy of the model by assessing the historical projections versus actual losses.</li> <li>• We performed detailed procedures on the completeness and accuracy of the information used.</li> <li>• For Receivables and other assets, we selected material balances and reviewed the customer's payment pattern. We reviewed the various factors considered in classifying other financial instruments within stages 1 and 2 in the measurement of ECL.</li> <li>• For Receivables and other assets, we reviewed all assumptions considered in the estimation of recovery cash flows, the discount factor, and the timing of realization.</li> <li>• We used our internal specialist to assess the appropriateness of the models used and to perform an independent recalculation of the impairment provision for the selected portfolios.</li> <li>• Other areas of complexities which include incorporating forward looking information such as macro-economic indicators like inflation, monetary policy rate (MPR), exchange rates were equally assessed for reasonableness taking into considerations, available information in the public domain.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TOTALENERGIES EP NIGERIA STAFF NON-CONTRIBUTORY PENSION FUND - Continued

### Key Audit Matters – Continued

Key Audit Matter	How the matter was addressed in the audit
<p>This is considered a key audit matter given the significance of balances of financial assets and level of complexity and judgement involved in the process which required considerable audit time and expertise.</p> <p>Refer to Notes 3(a)(vi) of the summary of significant accounting policies, Note 6(b)(i) (Financial risk management - credit risk management), Note 8 (Cash and cash equivalents), Note 9(b) (Financial assets at redemptive value), Note 12 (Receivables and other assets) to the financial statements for relevant disclosures relating to expected credit loss on financial assets.</p>	<ul style="list-style-type: none"> <li>We reviewed the qualitative and quantitative disclosures for reasonableness to ensure conformity with IFRS 7 – Financial Instruments: Disclosures.</li> </ul>

### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled " TotalEnergies EP Nigeria Staff Non-Contributory Pension Fund Audited Financial Statements for the year ended 31 December 2022 Together with Trustee's and Auditor's Report", which includes Corporate Information, Trustees' report, and Statement of Trustee's Responsibilities in Relation to the Preparation of the Financial Statements, as required by the Financial Reporting Council Act, No. 6, 2011 which we obtained prior to the date of this report. The other information 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 an audit opinion or 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 on the other information obtained prior to the date of this auditor's report, 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.

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF TOTALENERGIES EP NIGERIA STAFF NON-CONTRIBUTORY PENSION FUND - Continued

#### Responsibilities of the Trustee for the Financial Statements

The Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the Pension Reform Act 2014, the National Pension Commission (PENCOM) guidelines and in compliance with the Financial Reporting Council of Nigeria Act No.6, 2011 and for such internal control as the Directors 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 Trustee 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 Trustee 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 auditors' 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 judgement 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 directors of the Trustee.
- Conclude on the appropriateness of the Trustee'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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TOTALENERGIES EP NIGERIA STAFF NON-CONTRIBUTORY PENSION FUND - Continued

*Auditor's Responsibilities for the Audit of the Financial Statements – Continued*

- 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 Directors of the Trustee 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.

We also provide the Directors of the Trustee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors of the Trustee, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Kanayo Echena, FCA  
FRC/2012/ICAN/00000000150

For: Ernst & Young  
Lagos, Nigeria  
.....2023

## Statement of net assets As at 31 December

*In thousands of Nigerian naira*

	Notes	2022	2021
<b>Assets</b>			
Cash and cash equivalents	8	105,806,919	71,272,370
Receivables and other assets	12	176,205	166,122
Prepayments	13	-	13,393
Financial assets at fair value	9(a)	17,093,243	13,769,221
Financial assets held at redemption value	9(b)	218,301,747	222,218,206
Investment properties	10	22,896,751	27,155,562
Investment properties under development	11	2,131,835	3,849,946
<b>Total assets</b>		<b>366,406,700</b>	<b>338,444,820</b>
<b>Liabilities</b>			
Other payables	14	2,973,386	465,397
Deferred rental income	15	796,782	747,565
Withholding tax and VAT payable	16	2,965	7,631
<b>Total liabilities</b>		<b>3,773,133</b>	<b>1,220,593</b>
<b>Net assets available to pay benefits</b>		<b>362,633,567</b>	<b>337,224,228</b>
<b>Represented by:</b>			
Net assets, beginning of the year		337,224,228	311,151,499
Net increase in Fund during the year		25,409,339	26,072,729
<b>Balance, End of year</b>		<b>362,633,567</b>	<b>337,224,228</b>

SIGNED ON BEHALF OF THE BOARD OF TRUSTEE BY:

.....	)	Benjamin OKORIE-AGIDI
	)	FRC/2023/PRO/DIR/003/159369
.....	)	Oladimeji OLUWOLE
	)	FRC/2023/PRO/ICAN/070/535230

Additionally certified by:

.....	Gideon Ewoh
	Chief Financial Officer
	FRC/2018/ICAN/00000017842

Approved and authorised for issue by the Board of Trustee on 28<sup>th</sup> April, 2023

The accompanying notes form an integral part of these financial statements.

## Statement of changes in net assets

For the year ended 31 December

*In thousands of Nigerian naira*

	Note	2022	2021
<b>Investment income</b>			
Interest income calculated using the effective interest method	17	34,996,503	30,615,229
Interest income on financial assets at fair value	17	-	1,016,510
Dividend income	18	1,367,483	1,007,380
Rental income	19	2,055,192	2,026,459
Gain/(loss) on disposal of investment	20	191,081	(8,754,378)
Net unrealised exchange gain	9c	2,938,083	3,029,042
Fair value gain from assets measured at fair value	21	1,667,130	967,309
		<b>43,215,472</b>	<b>29,907,551</b>
<b>Investment expenses</b>			
Investment property management expenses	22	(330,221)	(306,009)
<b>Net investment income</b>		<b>42,885,251</b>	<b>29,601,542</b>
<b>Other expenses</b>			
Operating expenses	23	(627,464)	(578,330)
Impairment loss allowance on financial assets	24	(333,239)	(130,725)
<b>Increase in net assets available for benefits before tax</b>		<b>41,924,549</b>	<b>28,892,487</b>
Taxation	3(m)	-	-
<b>Increase in net assets available for benefits after tax</b>		<b>41,924,549</b>	<b>28,892,487</b>
<b>Changes in net assets before membership activities</b>			
<b>Membership activities</b>			
<b>Contributions</b>			
Contributions by sponsor	25	6,192,323	12,511,072
Total contributions		<b>6,192,323</b>	<b>12,511,072</b>
<b>Benefits paid or payable</b>			
Retirement	26	(21,734,329)	(15,131,993)
Guaranteed	26	(973,204)	(198,836)
Total benefits paid/payable		<b>(22,707,533)</b>	<b>(15,330,829)</b>
<b>Net membership activities</b>		<b>25,409,339</b>	<b>26,072,730</b>
<b>Net increase in net assets during the year</b>		<b>337,224,228</b>	<b>311,151,498</b>
Net assets available for benefits at beginning of the year		<b>362,633,567</b>	<b>337,224,228</b>
<b>Net assets available for benefits at end of the year</b>			

The accompanying notes form an integral part of these financial statements.

## Statement of Cash Flows

For the year ended 31 December

*In thousands of Nigerian naira*

	Note	2022	2021
<b>Cashflow from Operating activities</b>			
Increase in net assets available for benefits before tax		41,924,549	28,892,487
<i>Adjustments for:</i>			
Interest income calculated using the effective interest method	17	(34,996,503)	(30,615,229)
Interest income on financial assets at fair value	17	-	(1,016,510)
Rental income	19	(2,055,192)	(2,026,459)
Dividend income	18	(1,367,483)	(1,007,380)
(Gain)/loss on disposal of investments	20	(191,081)	8,754,378
Impairment expense	24	333,239	130,725
Foreign Exchange gain	9c	(2,938,083)	(3,029,042)
Fair value gain from assets measured at fair value	21	(1,667,130)	(967,309)
Increase in receivables and other assets		(10,083)	(5,310)
Decrease in prepayments		13,393	18,982
Increase/(decrease) in other payables		2,486,571	(2,223,875)
(Decrease)/ increase in withholding tax/ VAT payable		(4,666)	7,233
<b>Net cash generated from/(used in) operating activities</b>		<b>1,527,530</b>	<b>(3,087,310)</b>
<b>Cashflow from Investing activities</b>			
Interest received		24,025,238	21,134,989
Rental income received	15	2,104,410	2,103,291
Dividend income received	9(c)	1,368,382	998,386
Proceed from disposal of investment property		6,000,000	1,300,000
Purchase of financial assets held at amortized cost	9(c)	(20,210,935)	(38,518,809)
Proceeds from liquidation of financial assets	9(c)	27,383,300	10,652,988
Proceed from disposal of financial asset held at fair value		-	32,402,119
Purchase of financial asset at fair value	9(c)	(1,489,787)	(1,377,866)
<b>Net cash generated from investing activities</b>		<b>39,180,608</b>	<b>28,695,098</b>
<b>Cashflow from Financing activities</b>			
Contributions by sponsor	25	6,192,323	12,511,072
Payment to retired members	26	(21,734,329)	(15,131,993)
Guaranteed payment to retired members	26	(973,204)	(198,836)
<b>Net cash used in Financing activities</b>		<b>(16,515,210)</b>	<b>(2,819,757)</b>
<b>Net increase in cash and cash equivalents</b>		<b>24,192,927</b>	<b>22,788,030</b>
Cash and cash equivalents as at 1 January		69,695,457	46,907,427
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>93,888,384</b>	<b>69,695,457</b>

The accompanying notes form an integral part of these financial statements.



**Notes to the Financial Statements**  
**For the year ended 31 December 2022**

**1 Reporting Entity**

TotalEnergies EP Nigeria Staff Non-Contributory Pension Fund (the "Fund") is a Scheme domiciled in Nigeria. The Scheme is operated and managed based on Section 50 of the transitional provisions of the Pension Reform Act 2014 as amended. The address of the Fund's registered office is 35, Kofo Abayomi Street, Victoria Island Lagos.

The TotalEnergies EP Nigeria Staff Non-Contributory Pension Fund is a non-contributory pension fund, to which the funding company, TotalEnergies EP Nigeria Limited (TEPNG) contributes at a rate determined from time to time by the Fund's Actuary.

TotalEnergies EP Nigeria Closed Pension Fund Administrator Ltd is the Investment Manager, as well as the administrator of the Fund (the "Investment Manager"/"Administrator").

Zenith Pensions Custodian is the Custodian of the Fund.

**(a) Funding arrangements**

Funding comes from TEPNG at a rate determined from time to time by the Fund's actuary.

These funding arrangements are consistent with those of the previous period.

The Sponsor has contributed to the Fund during the current year approximately 12.5% (2021: 25%) of the pensionable earnings of those employees who were members of the Fund.

**(b) Retirement benefits**

The retirement benefits are determined based on an accrual rate of 2% of the employees final pensionable salary multiplied by the completed years of accredited service.

**(c) Termination terms**

The Trust Deed sets out the basis on which the scheme can be terminated.

**(d) Membership**

The Trust Deed was amended in 2014 to close the scheme to new members.

**2 Basis of preparation**

**(a) Statement of Compliance**

The financial statements of the Fund as at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and in a 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 have been presented based on the provisions of IAS 26: *Accounting and Reporting by Retirement Benefit Plans*.

The financial statements were authorised for issue by the trustee on 27<sup>th</sup> April, 2023.

**(b) Basis of measurement**

These financial statements have been prepared on historical cost basis, except as otherwise stated.

**(c) Functional and presentation currency**

This financial statements are presented in Naira, which is the functional and presentation currency of the Fund. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, as well as contingent assets and liabilities. Actual results may differ from these estimates.

Management bases its judgments and estimates on historical experience and various other factors that are believed to be appropriate and reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ended 31<sup>st</sup> December 2022 are included in the following note(s):

Note 31 - Actuarial Present Value of Accumulated Pension Fund Benefits and Net assets - key actuarial assumptions.

Note 10 - Unobservable inputs in determining fair value of investment properties - key valuation assumptions.

Note 3(a) and 7(c).. - Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

## Notes to the Financial Statements

### For the year ended 31 December 2022 - Continued

#### (e) Measurement of fair values

A number of the Fund's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Fund recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7(a)- financial instruments; and

- Note 10 (b)- investment property

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except if mentioned otherwise.

#### (a) Financial assets and liabilities

##### (i) Recognition and initial measurement

The Fund initially recognizes financial assets and financial liabilities at fair value through changes in net assets on the trade date, which is the date that the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

A Financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through net assets, transaction costs that are directly attributable to its acquisition or issue.

##### (ii) Classification and subsequent measurement -

On initial recognition, the Fund classifies financial assets as measured at amortised cost or fair value through changes in net assets. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through changes in net asset:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

All other financial assets of the Fund are measured at fair value through changes in net assets.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the managers of the business are compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Fund has determined that it has two business models.

- Held-to-collect business model: This includes cash and cash equivalents, receivables and financial assets held at redemption value (these are securities with fixed redemption value that have been acquired to match the obligations of the Fund, or specific part thereof). These financial assets are held to collect contractual cash flow and are accounted for at amortised cost.

- Other business model: This includes equity investments, investments in unlisted open-ended investment funds, unlisted private equities and some other investments in debt securities. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

## Notes to the Financial Statements

### For the year ended 31 December 2022 - Continued

#### *Assessment whether contractual cash flows are SPPI*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets e.g. non-recourse features;
- features that modify consideration of the time value of money e.g. periodical reset of interest rates.

For a reconciliation of line items in the statement of net assets to the categories of financial instruments, as defined by IFRS 9, see Note 7(c).

#### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition unless the Fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

#### *Modifications of financial assets and financial liabilities- Financial assets*

If the terms of a financial asset are modified, the Fund evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is de-recognized and a new financial asset is recognized at fair value. Any costs or fees incurred as part of the modification are recognised as part of the gain or loss on derecognition.

If the cash flows of the modified asset are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Fund recalculates the gross carrying amount of the financial asset using the original effective interest rate (EIR) and recognizes any difference arising between this recalculated amount and the existing gross carrying amount as a modification gain or loss in profit or loss. Any costs or fees incurred as part of the modification adjust the carrying amount of the modified financial asset, and are amortised over the remaining term of the modified financial asset.

#### *- Financial liabilities*

The Fund derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

When the cash flows of the modified financial liability are not substantially different, then the modification does not result in derecognition of the financial liability and any difference is recognized in profit or loss (similar to the principle for accounting for modification of financial asset that do not result in derecognition).

#### *Subsequent measurement of financial assets*

Subsequent to initial measurement, financial assets are measured either at fair value or amortised cost, depending on their classification.

#### *Financial assets at fair value through changes in net assets*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses, are recognised in the statement of changes in net assets.

Debt securities, equity investments, investments in unlisted open-ended investment funds, unlisted private equities and derivative financial instruments are included in this category.

#### *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in 'net foreign exchange loss' and impairment is recognised in 'impairment losses on financial instruments' in the statement of changes in net assets. Any gain or loss on derecognition is also recognised in profit or loss.

Financial assets held at redemption value, cash and cash equivalents, receivables are included in this category.

## Notes to the Financial Statements

### For the year ended 31 December 2022 - Continued

#### *Financial liabilities – Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or fair value through changes in net assets. A financial liability is classified as at fair value through changes in net assets if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through changes in net assets are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of changes in net assets.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of changes in net assets.

The Fund's financial liabilities comprise of benefits payable, and this refers to the entitlements of members who ceased employment with the employer (sponsor) prior to year end, but have not been paid by that date. Other financial liabilities are payable on demand or short time-frames of less than 90 days.

#### (iii) *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

#### (iv) *Amortised cost measurement*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

#### (v) *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of net assets when, and only when, the Fund has a currently enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The financial assets and liabilities are presented on a gross basis.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions.

#### (vi) *Impairment*

The Fund recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through statement of changes in net assets: debt instruments, other assets and receivables. No impairment loss is recognized on equity investments and other financial assets measured at fair value through statement of changes in net assets.

The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than other receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for other assets and receivables are always measured at an amount equal to lifetime ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund considers a debt security to have low credit risk when their credit risk rating of the counterparty is equivalent to the globally understood definition of 'investment grade' or it is a sovereign debt issued in the local currency e.g. Treasury bills and Bonds issued by the Nigerian Government.

## Notes to the Financial Statements

### For the year ended 31 December 2022 - Continued

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties.

A debt instrument that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a debt instrument that is overdue for 90 days or more is considered impaired. In making an assessment of whether an investment in sub-national/supranational/corporate debt instrument is credit-impaired, the Fund considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The current financial situation of the sub-national/supranational/corporate issuer.
- The mechanisms in place to provide the necessary support (from the central government), as well as the intention, reflected in public statements of governments/corporate issuer and availability to use those mechanisms.

#### *Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### *Write-off*

The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

#### (vii) *Derecognition*

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

The Fund enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

## Notes to the Financial Statements

### For the year ended 31 December 2022 - Continued

#### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and overdraft if the Fund has the legal right to offset and call deposits with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

#### (c) Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in statement of net assets items that have not resulted in cash flows, have been eliminated for the purpose of preparing the statement. Interest paid is included in financing activities while interest received and income received is included in investing activities.

#### (d) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in statement of changes in net assets.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of changes in net assets.

##### *Investment property under construction*

Investment property under construction is measured at cost until construction is completed. Subsequently, the Fund measures this investment property at fair value.

#### (e) Investment income

##### *Interest income*

Interest income is recognised in the statement of changes in net assets as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

##### *Dividend income*

Dividend income is recognised when the right to receive income is established, which in the case of quoted equity securities is the ex-dividend date.

##### *Distribution income*

Distributions from managed investment funds are recognised as at the date the unit value is quoted ex-distribution and if not received at reporting date, are reflected in the statement of net assets as a receivable at net market value.

##### *Rental income*

Rental income from investment property is recognised in statement of changes in net assets on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

##### *Net gain from investments at fair value*

Net gain from investments at fair value includes all realised and unrealised fair value changes and 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, dividend, rental or distribution income.

#### (f) Contributions

Contributions are accounted for on an accrual basis and are recognised when the control and the benefits from the revenue have been transferred to the Fund.

#### (g) Expenses

All expenses are accounted for on an accrual basis.

#### (h) Foreign currency

##### *Foreign currency transactions and balances*

Transactions in foreign currencies are translated to the respective functional currency of the Fund at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in the statement of changes in net assets.

## Notes to the Financial Statements

### For the year ended 31 December 2022 - Continued

#### (i) Impairment

##### *Non financial assets*

The carrying amounts of the Fund's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (j) Benefit payable

Pension benefits payable to qualifying members are calculated based on an accrual rate of 2% of the employee's final pensionable salary multiplied by the completed years of accredited service.

#### (k) Guaranteed benefit

Guaranteed benefits are payable to Fund members who have completed a minimum of 15 years accredited service and may qualify for voluntary early retirement upon attainment of 45 years of age.

#### (m) Taxation

In accordance with Section 10(2) of the Pension Reform Act (PRA) 2014, all interests, dividends, profits, investment and other income accruable to pension funds and assets under this Act shall not be taxable.

## Notes to the Financial Statements

### For the year ended 31 December 2022 - Continued

#### 4 Standards and interpretations issued but not yet effective

A number of new standards and amendments of standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Fund has not early applied the following new or amended standards in preparing these financial statements. The new standards potentially relevant to the Fund are discussed below. The Fund does not plan to early adopt these standards.

Pronouncement	Summary of requirements and assessment of impact	Effective date
IFRS 17 – Insurance Contracts	<p>The IASB issued IFRS 17 in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard.</p> <p>The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard does not impact the Group in anyway as the Bank and its subsidiary companies do not engage in insurance business.</p> <p>The amendment does not have any material impact on the Fund.</p>	1 January, 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	<p>The amendments aim to help entities provide accounting policy disclosures that are more useful by:</p> <ul style="list-style-type: none"> <li>- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.</li> <li>- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosure.</li> </ul> <p>The amendment will be effective for annual periods beginning on or after 1 January 2023. The Fund is not expected to be impacted with this amendment.</p>	1 January, 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	<p>In January 2020, the IASB issued amendment to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendment clarify:</p> <ul style="list-style-type: none"> <li>- What is meant by a right to defer settlement.</li> <li>- That a right to defer must exist at the end of the reporting period.</li> <li>- That classification is unaffected by the likelihood that an entity will exercise its deferral right.</li> <li>- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.</li> </ul> <p>The amendments are not expected to have a material impact on the Fund.</p>	1 January, 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	<p>The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.</p> <p>The amendment will be effective for annual periods beginning on or after 1 January 2023. The Fund is not expected to be impacted with this amendment.</p>	1 January, 2023
Amendments to IAS 8 – Definition of Accounting Estimates	<p>The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.</p> <p>The amendments are not expected to have a material impact on the Fund.</p>	1 January 2023.



## Notes to the Financial Statements

### For the year ended 31 December 2022 - Continued

#### 5 Changes in Significant accounting policies

A number of new standards are effective from 1 January 2021 but they do not have a material effect on the Fund's financial statement. The Fund has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

Pronouncement	Summary of requirements	Assessment of Impact
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework	The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.	These amendments had no impact on the financial statements of the Fund for the reporting year.
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.	These amendments had no impact on the financial statements of the Fund for the reporting year.
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those 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. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).	These amendments had no impact on the financial statements of the Fund for the reporting year.
IAS 41 Agriculture – Taxation in fair value measurements	The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.	These amendments had no impact on the financial statements of the Fund for the reporting year.
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision).	These amendments had no impact on the financial statements of the Fund for the reporting year.

## Notes to the Financial Statements

For the year ended 31 December 2022 - Continued

### 6 Financial risk management

#### (a) Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- \* credit risk
- \* liquidity risk
- \* market risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

#### (b) Risk management framework

The Fund maintains positions in a variety of non-derivative financial instruments in accordance with its investment management strategy. The Fund's investment portfolio comprises quoted equity investments, investments in treasury bills, FGN bonds, State government bonds, corporate bonds, infrastructure fund and mutual funds.

Asset purchases and sales are determined by the Fund's Investment Manager, compliance with the target asset allocations and the composition of the portfolio is monitored by the Board of directors of the Trustee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

#### (i) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from investment securities, cash and cash equivalents, receivables and other assets.

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows.

<i>In thousands of naira</i>	Note	Carrying amount	
		31 December 2022	31 December 2021
Financial assets held at amortized cost	9(b)	218,301,747	222,218,206
Financial assets at fair value- FGN Bonds	9(a)	-	-
Cash and cash equivalents	8	105,806,919	71,272,370
Receivables and other assets	12	176,205	166,122
<b>Total</b>		<b>324,284,871</b>	<b>293,656,698</b>

##### Movements in the allowance for impairment of financial assets

The movement in the allowance for impairment in respect of financial assets during the year was as follows:

<i>In thousands of Naira</i>		Remeasurement of loss allowance	Balance at 31 December 2022
	Balance at 31 December 2021		
Impairment of Treasury bills	16,647	(16,647)	-
Impairment of State Bonds	8,772	1,496	10,268
Impairment of FGN bond	132,245	33,564	165,809
Impairment of Eurobond	557,570	229,397	786,967
Impairment of Corporate bond	36,629	(8,327)	28,302
Impairment of cash and cash equivalent	136,396	104,690	241,086
Impairment of Receivables and other assets	126,650	(10,934)	115,716
<b>Impairment Charge</b>	<b>1,014,909</b>	<b>333,239</b>	<b>1,348,148</b>

<i>In thousands of Naira</i>		Remeasurement of loss allowance	Balance at 31 December 2021
	Balance at 31 December 2020		
Impairment of Treasury bills	-	16,647	16,647
Impairment of State Bonds	13,169	(4,397)	8,772
Impairment of FGN bond	150,729	(18,484)	132,245
Impairment of Eurobond	313,109	244,461	557,570
Impairment of Corporate bond	43,923	(7,294)	36,629
Impairment of cash and cash equivalent	192,632	(56,236)	136,396
Impairment of Receivables and other assets	170,622	(43,972)	126,650
<b>Impairment Charge</b>	<b>884,184</b>	<b>130,725</b>	<b>1,014,909</b>

**Investments in debt securities**

The Fund has invested in some government and corporate debt securities with the following credit quality. The ratings are based on GCR and S&P

	2022		2021	
	Amortised cost	FVTPL	Amortised cost	FVTPL
<b>FGN bonds</b>				
Rated BBB+ and below	164,826,056	-	157,587,798	-
<b>Euro bonds</b>				
Rated BBB+ and below	49,770,229	-	41,777,783	-
<b>State Government bonds</b>				
Rated AA- to AA+	1,057,314	-	1,058,811	-
Rated A- to A+	2,648,147	-	3,475,505	-
<b>Treasury bills</b>				
Rated AA- to AA+	0	-	18,318,309	-
<b>Supranational bonds</b>				
Rated BBB+ and below	-	-	-	-
<b>Total carrying amount</b>	<b>218,301,747</b>	<b>-</b>	<b>222,218,206</b>	<b>-</b>

**Cash and cash equivalents**

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated B, based on Standard and Poor's (S&P Global) ratings.

**Amounts arising from ECL**

Impairment on some of the debt securities have been measured on a 12-month expected loss on the basis of their low credit risk, whilst the remaining debt securities and receivables have been measured on a lifetime expected loss on the basis of significant increase in their credit risk.

The Fund monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties.

12-month and lifetime probabilities of default are based on historical data supplied by Standard and Poor's (S&P Global) for each credit rating.

However, if the asset were credit-impaired, then the estimate of loss would be based on a specific assessment of expected cash shortfalls and on the original effective interest rate.

(ii) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due.

The maturity profiles of the contractual cash flows of financial liabilities and the matching financial assets at 31 December 2022 were as follows:

In thousands of Naira	Carrying amount	Total	Contractual cashflow			
			2 month or less	2 - 12 months	1 - 2 years	2 - 5 years
<b>Financial Liabilities</b>						
Other payable (Note 14)	2,973,386	2,973,386	2,481,660	491,726	-	-
<b>Total</b>	<b>2,973,386</b>	<b>2,973,386</b>	<b>2,481,660</b>	<b>491,726</b>	<b>-</b>	<b>-</b>
<b>Financial Assets</b>						
Receivables and other assets (Note 12)	291,921	291,921	89,357	202,564	-	-
<b>Total</b>	<b>291,921</b>	<b>291,921</b>	<b>89,357</b>	<b>202,564</b>	<b>-</b>	<b>-</b>

The maturity profiles of the contractual cash flows of financial liabilities and the matching financial assets at 31 December 2021 were as follows:

<i>In thousands of Nigerian Naira</i>	Carrying amount	Contractual cashflow				
		Total	2 month or less	2 - 12 months	1 - 2 years	2 - 5 years
<b>Financial Liabilities</b>						
Tax liabilities	-	-	-	-	-	-
Other payable	465,397	465,397	411,240	54,157	-	-
<b>Total</b>	<b>465,397</b>	465,397	411,240	<b>54,157</b>	-	-
<b>Financial Assets</b>						
Receivables and Other assets	292,772	292,772	98,286	194,486	-	-
<b>Total</b>	<b>292,772</b>	292,772	98,286	<b>194,486</b>	-	-

Asset Liability Matching

The Fund is fully funded through regular contributions from the sponsor, TotalEnergies EP Nigeria Limited who ensures no reliance on borrowings. Although, the Fund is obliged to make payments on retirement benefits once notified, its maturing obligations are usually matched against its financial assets held at amortized cost, cash and other short term investments. The Fund manages its payments on retirement benefits on a behavioural basis and the table below provide an analysis on a behaviour basis.

	31-Dec-22	Carrying amount	Contractual cashflow	0-12 months	1-5 years	6-10 years	11-15 years	Above 15 years
<i>In thousands of Naira</i>								
Retirement benefits payable	(251,398,728)	(251,398,728)	(11,745,812)	(54,829,291)	(72,498,534)	(64,314,848)	(48,010,243)	
Financial assets held at amortized cost	218,301,747	219,545,415	252,322	3,744,030	21,658,922	143,332,944	50,557,197	
Cash and Cash equivalents	105,806,919	105,806,919	105,806,919	-	-	-	-	
Receivables and other assets	291,921	407,637	407,637	-	-	-	-	
Other payable	491,726	491,726	-	491,726	-	-	-	
<b>Cumulative Gap</b>	<b>73,493,585</b>	<b>74,852,969</b>	<b>94,721,066</b>	<b>(50,593,535)</b>	<b>(50,839,612)</b>	<b>79,018,096</b>	<b>2,546,954</b>	
<b>31-Dec-21</b>								
<i>In thousands of Naira</i>								
Retirement benefits payable	(253,704,535)	(253,704,535)	(13,593,057)	(54,278,392)	(67,826,563)	(65,521,993)	(52,484,530)	
Financial assets held at amortized cost	222,218,206	275,338,389	71,438,492	3,475,505	0	42,836,594	157,587,798	
Cash and cash equivalents	71,272,370	71,272,370	71,272,370	-	-	-	-	
Receivables and other assets	292,772	419,422	419,422	-	-	-	-	
Other payable	465,397	465,397	411,240	-	54,157	-	-	
<b>Cumulative Gap</b>	<b>40,544,210</b>	<b>93,791,043</b>	<b>129,948,467</b>	<b>(50,802,887)</b>	<b>(67,772,406)</b>	<b>(22,685,399)</b>	<b>105,103,268</b>	

The Fund has adequate investments in treasury bills and cash and cash equivalents to settle any retirement benefits obligations that could fall due in the next twelve months.

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange rates will affect the Fund's income or the fair value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Management of the market risk*

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund's investment objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Fund. The Fund's market position are monitored on a periodic basis by the Fund Manager.

(iii)(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund has no financial instruments linked to variable interests. The risk that the Fund will realise a loss as a result of a change in the fair value of financial assets or liabilities is thus immaterial. The Fund has not entered into any derivative financial instrument to manage this risk.

**Sensitivity of projected net interest income**

Scenario level	0.25%	0.50%	1%	2%	3%
<i>In thousands of Naira</i>					
<b>31 December 2022</b>					
Increase	735,947	1,471,894	2,943,788	5,887,576	8,831,364
Decrease	(735,947)	(1,471,894)	(2,943,788)	(5,887,576)	(8,831,364)
<b>31 December 2021</b>					
Increase	735,947	1,471,894	2,943,788	5,887,576	8,831,364
Decrease	(735,947)	(1,471,894)	(2,943,788)	(5,887,576)	(8,831,364)

*Exposure to Interest Rate Risk*

The table below summarises the Funds's exposure to interest rate risk:

<b>31 December 2022</b>	<b>Carrying Amount</b>	<b>Less than 3 Months</b>	<b>3 to 6 Months</b>	<b>6 to 12 Months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
<i>in thousands of Naira</i>						
<b>Financial Assets</b>						
Cash and cash equivalents	105,806,919	105,806,919	-	-	-	-
<i>Financial Assets at amortised cost</i>						
FGN bond and eurobond	214,596,285	-	-	292,322	25,402,952	188,901,012
State govt Bonds	1,057,314	-	-	-	1,057,314	-
Corporate Bonds	2,648,147	-	-	-	2,648,147	-
Treasury bills	0	-	-	-	-	-
<b>Total Interest bearing assets</b>	<b>324,108,667</b>	<b>105,806,919</b>	<b>-</b>	<b>292,322</b>	<b>29,108,414</b>	<b>188,901,012</b>
<b>31 December 2021</b>						
	<b>Carrying Amount</b>	<b>Less than 3 Months</b>	<b>3 to 6 Months</b>	<b>6 to 12 Months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
<i>in thousands of Naira</i>						
<b>Financial Assets</b>						
Cash and cash equivalents	71,272,370	71,272,370	-	-	-	-
<i>Financial Assets at amortised cost</i>						
FGN bond and eurobond	199,365,582	-	-	8,067,456	21,836,160	169,461,966
State govt Bonds	1,058,811	-	-	-	1,058,811	-
Corporate Bonds	3,475,505	-	-	-	3,475,505	-
Supranational Bonds	-	-	-	-	-	-
Treasury bills	18,318,309	-	18,318,309	-	-	-
Commercial paper	-	-	-	-	-	-
<b>Total Interest bearing assets</b>	<b>293,490,576</b>	<b>71,272,370</b>	<b>18,318,309</b>	<b>8,067,456</b>	<b>26,370,476</b>	<b>169,461,966</b>

**Exposure to currency risk**

The table below summarises the Funds's exposure to interest rate risk:

**(iii)(b) Foreign exchange risk**

The Fund is exposed to currency risk on purchase of investments denominated in a currency other than its functional currency, the Nigerian Naira. The currencies in which these transactions primarily are denominated are US Dollar . The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

**Exposure to currency risk**

The summary quantitative data about the Fund's exposure to currency risk as reported to the management of the Fund is as follows:

<i>In thousands of US</i>	<b>2022</b>	<b>2021</b>
Investments in private equity	3,036	1,643
Investment in Euro Bonds	117,763	97,323
Investment in Corporate Bonds	2,226	2,063
Cash and cash equivalent	13	1,462
<b>Net statement of net assets exposure</b>	<b>123,039</b>	<b>102,491</b>

	<b>Average rate</b>		<b>Year end spot rate</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>₦</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>
US Dollar	422.63	388.34	422.63	388.34

**Sensitivity analysis**

A reasonably possible strengthening (weakening) of the Naira, as indicated below against the US dollar at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected statement of changes in net assets by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

**Statement of changes in net assets**

<i>In thousand of Naira</i>	<b>Strengthening</b>	<b>Weakening</b>
<b>31 December 2022</b>		
USD (10% movement)	12,304	(12,304)
<b>31 December 2021</b>		
USD (10% movement)	10,249	(10,249)

(c) *Market price risk*

Market price risk is the risk that the fair value of the financial instruments will fluctuate as a result of changes in market prices (other than arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The summary quantitative data about the Fund's exposure to market risk as reported to the management of the Fund is as follows;

<i>In thousand of Naira</i>	Note	<b>2022</b>	<b>2021</b>
Financial assets at fair value	9(a)	17,093,243	13,769,221
<b>Net statement of net assets exposure</b>		<b>17,093,243</b>	<b>13,769,221</b>

The information below shows the impact on the Fund's profit for the year, if market prices of held at fair value securities (investment in quoted equities) should increase or decrease by 100 basis points.

<i>In thousand of Naira</i>	<b>2022</b>	<b>2021</b>
Effect of 100 basis points increase on changes in net assets	170,932	137,692
Effect of 100 basis points decrease on changes in net assets	(170,932)	(137,692)

***Exposure to equity investment risk***

This risks arises from equity price changes of listed and unlisted equities in which the Fund holds investments. At 31 December 2022, the Fund was exposed to equity investment risk as a result of its exposures which stood at N10,752 million (31 December 2021: N8,970 million) in trading equities.

**Capital management**

The Fund has no equity and is sponsored by contributions from the parent company TEPNG as well as surpluses from its investments.

The Fund's objectives are to ensure a stable base to ensure payment of benefits to retirees when due, and to manage liquidity risk arising from these payments.

The Fund is not subject to any externally imposed capital requirements.

**7 Use of estimates and judgments**

(a) *Determination of fair values*

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

-Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments

- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

(b) ***Valuation approach for specific instruments***

(i) ***Investments in debt securities***

The fair value of debt securities is determined by reference to their quoted closing bid price at the reporting date. The fair value of investments in debt securities held at amortised cost is determined for disclosure purpose only.

(ii) ***Listed equity securities***

Listed equity securities are valued using quoted prices in an active market for an identical instrument (Level 1 measurement).

(iii) ***Trade and other receivables***

The Fund has not disclosed the fair values of short duration receivables as their carrying amounts are a reasonable approximation of their fair value. Where trade and other receivables are material, it is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iv) ***Unlisted open-ended Investment funds***

The fair value of investments in the unlisted open-ended investment funds is determined either using unadjusted net asset value (Level 2 measurements) or by applying a discount to the net asset value (level 3 measurement). The adjusted net asset value is used when the units in a fund are redeemable at the reportable net asset value at, or approximately at the measurement date. If this is not the case, then the net asset value is used as a valuation input and an adjustment based on management judgement after considering the period of restrictions and the nature of the underlying investments.



(c) Accounting classification and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Financial assets whose fair value equals carrying values as at the reporting date include equities (quoted & unquoted), private equity & mutual funds as well as infrastructure funds.

31 December 2022		Carrying amount			Fair value				
		Fair value through changes in net assets	Held at Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
In thousands of Naira	Note								
Financial assets measured at fair value									
Quoted equities	9(a)	10,753,120	-	-	10,753,120	10,753,120	-	-	10,753,120
Private Equity Fund	9(a)	1,283,131	-	-	1,283,131		1,283,131	-	1,283,131
Mutual Funds	9(a)	165,521	-	-	165,521		165,521	-	165,521
Unquoted equities	9(a)	4,891,471	-	-	4,891,471	-	4,891,471	-	4,891,471
		17,093,243	-	-	17,093,243	10,753,120	6,340,123	-	17,093,243
Financial assets not measured at fair value									
FGN bonds	9(b)	-	164,826,056	-	164,826,056	158,415,189	-	-	158,415,189
State bonds	9(b)	-	1,057,314	-	1,057,314	1,030,546	-	-	1,030,546
NIG Eurobonds	9(b)	-	49,770,229	-	49,770,229	34,282,957	-	-	34,282,957
Corporate bonds	9(b)	-	2,648,147	-	2,648,147	2,522,203	-	-	2,522,203
Treasury bills	9(b)	-	-	-	-	-	-	-	-
*Receivables and other assets	12	-	176,205	-	176,205	-	-	176,205	176,205
Cash and cash equivalents	8	-	105,806,919	-	105,806,919	-	-	105,806,919	105,806,919
		-	324,284,871	-	324,284,871	196,250,894	-	105,983,124	302,234,018
Financial liabilities not measured at fair value									
Other payables	14	-	-	(2,973,386)	2,973,386	-	-	2,973,386	-
		-	-	(2,973,386)	2,973,386	-	-	2,973,386	

31 December 2021		Carrying amount				Fair value			
		Fair value through changes in net assets	Held at redemption value	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
In thousands of Naira	Note								
Financial assets measured at fair value									
Quoted equities	9(a)	8,969,829	-	-	8,969,829	8,969,829	-	-	8,969,829
Private Equity Fund	9(a)	714,680	-	-	714,680	-	714,680	-	714,680
Infrastructure Fund	9(a)	-	-	-	-	-	-	-	-
Mutual Funds	9(a)	161,375	-	-	161,375	-	161,375	-	161,375
Unquoted equities	9(a)	3,923,337	-	-	3,923,337	-	3,923,337	-	3,923,337
FGN Bonds	9(a)	-	-	-	-	-	-	-	-
		13,769,221	-	-	13,769,221	8,969,829	4,799,392	-	13,769,221
Financial assets not measured at fair value									
FGN Bonds	9(b)	-	157,587,798	-	157,587,798	164,422,179	-	-	164,422,179
State Bonds	9(b)	-	1,058,811	-	1,058,811	1,219,624	-	-	1,219,624
Supranational Bonds	9(b)	-	-	-	-	-	-	-	-
Euro Bonds	9(b)	-	41,777,783	-	41,777,783	39,850,427	-	-	39,850,427
Corporate bonds	9(b)	-	3,475,505	-	3,475,505	3,612,375	-	-	3,612,375
Treasury Bills	9(b)	-	18,318,309	-	18,318,309	18,521,057	-	-	18,521,057
Receivables and other assets	12	-	166,122	-	166,122	-	-	166,122	166,122
Cash and cash equivalents	8	-	71,272,370	-	71,272,370	-	-	71,272,370	71,272,370
		-	293,656,698	-	293,656,698	227,625,662	-	71,438,491	299,064,153
Financial liabilities not measured at fair value									
Other payables	14	-	-	(465,397)	465,397	-	-	465,397	-
		-	-	(465,397)	465,397	-	-	465,397	-

## 8 Cash and cash equivalents

*In thousands of Nigerian Naira*

	2022	2021
Bank balances	367,314	1,513,396
Money Market Investments (see note (a) below)	105,439,605	69,758,975
Cash and cash equivalent in the statement of changes in net assets	<b>105,806,919</b>	<b>71,272,370</b>
<i>For cashflow purposes:</i>		
Less: Interest receivable	(11,918,535)	(1,576,914)
Cash and cash equivalents, end of year	<b>93,888,384</b>	<b>69,695,457</b>

- (a) These represents the Fund's investment in money market instruments with original maturities of less than 90 days. Money market instruments held by the Fund as at the reporting date were in fixed term deposits and commercial papers of the following institutions:

*In thousands of Nigerian Naira*

	2022	2021
Fidelity Bank Plc.	5,796,444	10,122,180
UBA	27,426,612	-
Union Bank Plc.	10,691,745	6,791,455
Eco Bank	17,881,981	16,884,780
Access Bank Plc.	28,093,003	25,363,663
Coronation Merchant Bank	15,549,820	10,596,896
	<b>105,439,605</b>	<b>69,758,975</b>

Information on the Fund's exposure to credit risk are disclosed in Note 6(b).

## 9 Financial assets

*In thousands of Nigerian Naira*

Financial assets comprise:

	2022	2021
Financial assets at fair value (see (a) below)	17,093,243	13,769,221
Financial assets held at redemption value (see (b) below)	218,301,747	222,218,206
	<b>235,394,989</b>	<b>235,987,426</b>

### (a) Financial assets at fair value through changes in net assets

*In thousands of Nigerian Naira*

	2022	2021
Quoted equities (see a (i) below)	10,753,120	8,969,829
Private equity Fund (see a (ii) below)	1,283,131	714,680
Mutual funds (see a (iv) below)	165,521	161,375
Nigeria Infrastructure Debt Fund (see a(iii) below)	4,891,471	3,923,337
	<b>17,093,243</b>	<b>13,769,221</b>

Information on the Fund's exposure to market risks are disclosed in Note 6(b)

### (i) Investments in quoted equities comprise the following:

*In thousands of Nigerian Naira*

	2022	2021
Zenith Bank Plc shares	1,256,721	1,316,940
Guaranty Trust Bank Plc shares	1,837,617	2,077,306
Ecobank Transnational Plc shares	1,648	1,353
Standard Alliance shares	4,200	4,200
UACN Plc shares	239,850	222,300
Dangote Cement Plc shares	574,200	565,400
Airtel Africa	4,502,496	2,629,899
Julius Berger Plc shares	103,540	94,454
West African Portland Cement Plc shares	39,600	39,518
Afriland Properties Plc (0.652m units of N 1,000 par)	990	767
MTN Nigeria Communications Plc. shares	2,176,437	1,994,223
UPDC REIT shares	15,822	23,469
	<b>10,753,120</b>	<b>8,969,829</b>

**a (ii)** Investments in private equity funds  
*In thousands of Nigerian Naira*

	2022	2021
Pioneer Management and business ventures LLP Fund	198,855	312,415
ARM/HARITH Infrastructure Fund	1,084,276	402,265
	<b>1,283,131</b>	<b>714,680</b>

Investment in Pioneer Management & Business Ventures Limited Liability Partnership (LLP) Fund is managed by Capital Alliance Private Equity (CAPE) III Limited. The Fund has a capital commitment to place \$2,500,000 (2021: \$2,500,000) with the Pioneer Management & Business Ventures Limited Liability Partnership (LLP) Fund. Total commitments drawn down to date amounted to \$2,486,834 (2021: \$2,486,834). The outstanding balance of \$13,166 (2021: \$13,166) is subject to calls at the discretion of the Fund Manager.

Investment in ARM-Harith Infrastructure Fund is managed by ARM - Harith Infrastructure Investment Limited. The Fund has a capital commitment to place \$2,500,000 (2021: \$2,500,000) to ARM-Harith Infrastructure Investment Limited. Total commitments drawn down to date amounted to \$1,735,000 (2021: \$1,735,000). The undrawn balance of \$765,000 (2021: \$765,000) is subject to calls at the discretion of the Fund Manager.

**a (iii)** Investment in infrastructure funds  
*In thousands of Nigerian Naira*

	2022	2021
Nigeria Infrastructure Debt Fund	4,891,471	3,923,337
	<b>4,891,471</b>	<b>3,923,337</b>

Investment in the Nigeria Infrastructure Debt Fund is managed by Chapel Hill Denham. During the year, the Fund made additional investment of ₦1 billion into this debt fund (2021: Nil).

**a (iv)** Investments in mutual funds comprise the following:  
*In thousands of Nigerian Naira*

	2022	2021
SIM - Capital Alliance Value Fund	165,521	161,375
	<b>165,521</b>	<b>161,375</b>

**(b) Financial assets held at redemption value**  
*In thousands of Nigerian Naira*

	2022	2021
FGN Bonds (see b (i) below)	164,826,056	157,587,798
State Bonds (see b (ii) below)	1,057,314	1,058,811
Treasury bills (see b (iii) below)	-	18,318,309
Nig Euro Bonds (see b (iv) below)	49,770,229	41,777,783
Corporate Bonds (see b (v) below)	2,648,147	3,475,505
	<b>218,301,747</b>	<b>222,218,206</b>

Information on the Fund's exposure to credit and market risks is included in Note 6(b)(i) and (iii) respectively.

**Fair value measurement**

The fair values of financial assets held at redemption value as at year end are as follows:

	2022	2021
FGN Bonds	158,415,189	164,422,179
State Bonds	1,030,546	1,219,624
NIG Euro Bond Bonds	34,282,957	39,850,427
Treasury bills	-	18,521,057
Corporate Bonds	2,522,203	3,612,375
	<b>196,250,894</b>	<b>227,625,662</b>

Fair values for financial assets held at redemption value are based on market prices.

At the reporting date, there were no financial assets held at redemption value that were impaired.

**b (i)** Investments in Federal Government of Nigeria (FGN) bonds comprise the following:

*In thousands of Nigerian Naira*

	2022	2021
13.98% FGN Feb 2028	15,410,637	16,977,085
15.00% FGN Nov 2028	1,327,312	1,353,539
16.39% FGN Jan 2022	-	8,067,456
12.98% March 2050	18,651,292	18,657,503
8.50% FGN Nov 2029	2,498,632	2,487,301
10.00% 7th FGN Jul 2030	4,920,973	4,921,677
14.2% FGN Mar 2024	13,659,626	13,694,371
12.1493% FGN Jul 2034	5,352,822	5,336,614
12.40% FGN Mar 2036	22,041,397	22,006,877
12.50% FGN Jan 2026	8,198,349	8,141,788
16.2884% FGN Mar 2027	8,217,208	8,280,546
16.2499% FGN Apr 2037	29,898,982	12,996,458
14.80% FGN April 2049	34,648,825	34,666,582
	<b>164,826,056</b>	<b>157,587,798</b>

**b (ii)** Investments in State Government bonds comprise the following:

*In thousands of Nigerian Naira*

	2022	2021
17.25% Lagos State Govt Bond 2027 Series	1,057,314	1,058,811
	<b>1,057,314</b>	<b>1,058,811</b>

**b (iii)** These represent the Fund's investment in Central Bank of Nigeria treasury bills instruments with the original maturities shown below. Treasury bills instruments held by the Fund as at the reporting date were in various maturities as follows:

*In thousands of Nigerian Naira*

	2022	2021
CBN Treasury Bills - 356 days	-	3,926,694
CBN Treasury Bills - 357 days	-	3,926,475
CBN Treasury Bills - 364 days	-	10,465,139
	-	<b>18,318,309</b>

**b (iv)** Investment in Federal Government of Nigeria Eurobonds comprise the following:

*In thousands of Nigerian Naira*

	2022	2021
NIG 7 5/8 11/28/47 (30 years)	1,150,639	1,085,556
NIG 7 5/8 21/11/25 (20 years)	76,274	68,257
NIG 7 5/8 21/11/31 (20 years)	1,983,065	1,848,534
NIG 7 5/8 21/11/49 (30 years)	41,219,233	35,706,766
NIG 7 5/8 21/11/51 (30 years)	3,246,733	3,068,671
NIG 7 5/8 21/01/29 (20 years)	1,392,292	-
NIG 7 5/8 21/01/51 (30 years)	701,993	-
	<b>49,770,229</b>	<b>41,777,783</b>

**b (vi)** Investments in Corporate bonds comprise the following:

*In thousands of Nigerian Naira*

	2022	2021
18.25% Dufil Prima Food Plc Bond (5years) 2022	-	523,279
18.25% CERPAC Bond (5years) 2023	154,309	423,791
15.50% CERPAC Bond (5years) 2023	98,013	181,982
15.50% Access Bank (7 Years) 2026	1,455,075	1,457,318
7.2% EcoBank Nig (5years) 2026	940,750	889,136
	<b>2,648,147</b>	<b>3,475,505</b>

(c) The movement in financial assets during the year is shown below

**31 December 2022**

*In thousands of Nigerian Naira*

**Financial assets**

	<b>Financial assets at amortized</b>		
	<b>at fair value</b>	<b>cost</b>	<b>Total</b>
Balance at the beginning of the year	13,769,221	222,218,206	235,987,427
Additions	1,489,787	20,210,935	21,700,723
Interest income earned (See note 17)	-	24,599,191	24,599,191
Dividend income earned	1,367,483	-	1,367,483
Disposals	-	-	0
Redemption	-	(27,383,300)	(27,383,300)
Interest received	-	(24,025,238)	(24,025,238)
Dividend received	(1,368,382)	-	(1,368,382)
Impairment	-	(239,483)	(239,483)
Fair value gain (see note 21)	1,835,134	-	1,835,134
Exchange gain	-	2,938,083	2,938,083
Balance as at end of year	<u>17,093,243</u>	<u>218,318,395</u>	<u>235,411,638</u>

Note 9

**31 December 2021**

*In thousands of Nigerian Naira*

**Financial assets**

	<b>Financial assets at amortized</b>		
	<b>at fair value</b>	<b>cost</b>	<b>Total</b>
Balance at the beginning of the year	49,342,501	186,135,294	235,477,795
Additions	1,377,866	38,518,809	39,896,675
Interest income earned (See note 17)	1,016,510	25,465,405	26,481,915
Dividend income earned	1,007,380	-	1,007,380
Disposals	(37,143,295)	-	(37,143,295)
Redemption	-	(10,652,988)	(10,652,988)
Interest received	(1,088,567)	(20,046,422)	(21,134,989)
Dividend received	(998,386)	-	(998,386)
Impairment	-	(230,934)	(230,934)
Fair value gain (see note 21)	255,212	-	255,212
Exchange gain	-	3,029,042	3,029,042
Balance as at end of year	<u>13,769,221</u>	<u>222,218,206</u>	<u>235,987,427</u>

Note 9

**10 Investment properties**

*In thousands of Nigerian Naira*

	<b>2022</b>	<b>2021</b>
Investment properties - Residential (see (i) below)	3,416,989	8,317,925
Investment properties - Office (see (ii) below)	19,479,762	18,837,637
	<u>22,896,751</u>	<u>27,155,562</u>

**(i) Investment properties - Residential comprise:**

*In thousands of Nigerian Naira*

	<b>2022</b>	<b>2021</b>
Elion House Hotels, Dolphin Estate Extension, Ikoyi, Lagos	3,049,189	2,182,006
Plot 100, Bimkol Crescent, GRA Phase 3, Port Harcourt	367,800	327,000
Ocean Parade, Banana Island, Ikoyi, Lagos	-	5,808,919
	<u>3,416,989</u>	<u>8,317,925</u>

**10 Investment properties - Continued**

(ii) Investment properties - Office comprise:

*In thousands of Nigerian Naira*

	<b>2022</b>	<b>2021</b>
35, Kofo Abayomi Street, Victoria Island, Lagos	5,656,842	5,448,885
Plot 59A & B, Trans Amadi Industrial Layout, Port-Harcourt	3,309,700	3,230,010
Plot 1386, Tigris Crescent (Clan Place), Abuja	4,299,220	3,864,000
58, Trans Amadi - (RIVOC)	6,214,000	6,294,742
	<b>19,479,762</b>	<b>18,837,637</b>

(iii) These properties were valued by Dapo Olaiya Consulting. (FRC/2013/NIESV/00000004238) and Nwokoma Nwankwo & Co. (FRC/2012/000000000200) Estate Surveyors, Valuers & Developers using Open Market Value basis as at 31 December 2022.

(a) The movement in this account is as stated below:

*In thousands of Nigerian Naira*

	<b>2022</b>	<b>2021</b>
Balance at the beginning of the year:	27,155,562	27,734,906
Disposal	(6,000,000)	(1,291,442)
Realised gain on disposal of investment property (See note (20))	191,081	-
Fair value changes (See note (21))	1,550,107	712,098
Balance as at end of period	<b>22,896,750</b>	<b>27,155,562</b>

(b) Measurement of fair values of investment properties

*i. Fair value hierarchy*

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Fund's investment property portfolio annually.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2(d)).

*ii. Valuation technique and significant unobservable inputs*

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique and significant unobservable inputs

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account the expected rental income and its growth rate, rental leakages and facility running costs. The expected net cash flows are discounted using risk adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary) and lease terms.

Significant unobservable inputs

- \_ Expected annual rental income growth of 5%
- \_ Capitalisation rate of 9% to 9.5%
- \_ Risk-adjusted discount rates of 10.5%
- \_ Rental income leakages of 5%
- \_ Facility running cost of 10%

Inter-relationship between key unobservable

The estimated fair value would increase (decrease) if:

- \_ expected market rental income growth were higher (lower);
- \_ the capitalisation rates were higher (lower);
- \_ the risk-adjusted discount rate were lower (higher);
- \_ facility running costs were lower (higher).

**11 Investment properties under development**

Investment properties under development comprise:

**(i) Investment properties - Office comprise:**

*In thousands of Nigerian Naira*

Plot 1702 A&B Adetokunbo Ademola Street, Victoria Island, Lagos

2022	2021
2,131,835	3,849,946
<b>2,131,835</b>	<b>3,849,946</b>

**(a) The movement in this account is as stated below:**

	2022	2021
Balance at the beginning of the year:	3,849,946	3,849,946
Fair value changes (See note (21))	(1,718,111)	-
Balance as at end of year	<b>2,131,835</b>	<b>3,849,946</b>

**12 Receivables and other assets**

*In thousands of Nigerian Naira*

	2022	2021
Dividend Receivable	-	8,994
Rent receivable	86,848	67,836
Other debtors	89,357	89,292
	<b>176,205</b>	<b>166,122</b>

The carrying amount of the financial assets above represents the Fund's exposure to credit risk related to receivables and other assets. Information about the Fund's exposure to credit risks are disclosed in note 6(b)(i).

Other debtors relates to advance payment made to third parties for services to be rendered (mostly building maintenance services).

**(a) Other assets**

*In thousands of Nigerian Naira*

	2022	2021
Elenwo Property	1,412,591	1,412,591
Impairment allowance	(1,412,591)	(1,412,591)
	<b>-</b>	<b>-</b>

Amount represents the carrying value of Elenwo property under development. In 2015, the government of Rivers State revoked the right of occupancy on the property located at Elenwo Street, GRA Portharcourt due to overriding public interest. The revocation therefore means that the carrying amount no longer meets the definition of investment property and it is therefore classified as other assets. The Trustees are currently challenging the revocation in court and also exploring an out of court settlement that will allow the state government compensate the Fund based on the market value of the property. Given the above circumstances, the Trustees have recognized an impairment allowance amounting to the carrying amount of the asset.

**13 Prepayments**

*In thousands of Nigerian Naira*

	2022	2021
Prepayments - Insurance and others	-	13,393
	<b>-</b>	<b>13,393</b>

**14 Other payables**

*In thousands of Nigerian Naira*

	2022	2021
Accruals	698,250	95,743
Benefits payable	491,726	54,157
Due to vendors	105,823	315,497
Due to TEPNG	1,677,587	-
	<b>2,973,386</b>	<b>465,397</b>

Information about the Fund's exposure to liquidity risks are disclosed in note 6(b)(ii).

**15 Deferred rental income**

Deferred income represents mainly rental income received in advance in respect of the Pension Fund's investment in investment properties.

The movement on this account during the year was as follows:

<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
Balance, beginning of year	747,565	670,734
Additions during the year	2,104,410	2,103,291
Amortization for the year	(2,055,193)	(2,026,460)
Balance, end of year	<b>796,782</b>	<b>747,565</b>

**16 Withholding tax/VAT payable**

<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
Accounts payable: WHT due - FIRS	1,779	2,711
Accounts payable: VAT due - FIRS	1,155	4,530
Accounts payable: WHT due - SIRB (Rivers/Lagos)	31	390
	<b>2,965</b>	<b>7,631</b>

The Fund is exempted from paying income taxes under the current system of taxation in Nigeria. Dividend and interest income received by the Fund is exempted from withholding tax imposed under the PRA 2014. Withholding tax is deducted from qualifying transactions with suppliers and vendors. During the year, the withholding tax rate was 10% (2021:10%). The valued added tax represent the VAT on rent collected from tenant on commercial properties.

The movement on this account during the year was as follows:

<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
Opening balance	7,631	398
Additional VAT liability	65,751	33,448
Additional WHT liability	3,514	36,249
Payment during the period	(76,897)	(62,463)
Balance as at year end	<b>(0)</b>	<b>7,631</b>



<b>17</b>	<b>Interest income</b>		
	<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
	Interest income on cash and cash equivalents	10,397,312	5,149,824
	Interest income on financial assets held at redemption value (see (a) below)	24,599,191	25,465,405
	<b>Interest income calculated using the effective interest method</b>	<b>34,996,503</b>	<b>30,615,229</b>
	Interest income on financial assets at fair value*	-	1,016,510
		<b>34,996,503</b>	<b>31,631,739</b>
	*This relates to interest on FGN Bonds measured at fair value		
<b>(a)</b>	Interest income on financial assets held at redemption value comprise of:		
	<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
	Interest income on Federal Government of Nigeria bonds	23,615,485	23,625,744
	Interest income on State Government bonds	172,500	205,383
	Interest income - Supranational /Corporate Bonds	446,162	516,424
	Interest income on Treasury bills	365,044	1,117,854
		<b>24,599,191</b>	<b>25,465,405</b>
<b>18</b>	<b>Dividend income</b>		
	<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
	Dividend from quoted equities	681,233	588,754
	Dividend from mutual funds	-	418,626
	Dividend from Private Equities	686,250	0
		<b>1,367,483</b>	<b>1,007,380</b>
<b>19</b>	<b>Rental income</b>		
	<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
	Rental income from investment properties (Note 15)	<b>2,055,192</b>	<b>2,026,459</b>
	Rental income on investment properties represents rental payment received and deferred rental income earned during the year.		
<b>20</b>	<b>Gain/(loss) on disposal of investments</b>		
	<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
	Realised loss on sale of trading bonds investments	-	(8,753,624)
	Realised loss on sale of quoted equities	-	(9,312)
	Realised gain on sale of Property investments	191,081	8,558
		<b>191,081</b>	<b>(8,754,378)</b>
<b>21</b>	<b>Fair value gains from financial assets measured at fair value</b>		
	<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
	Fair value gain on quoted equities (See note 9c)	1,783,071	200,356
	Fair value gain on mutual funds (See note 9c)	52,063	54,856
	Fair value gain on investment properties ( See note 10(a) )	1,550,107	712,097
	Fair value loss on Investment properties under development ( See note 11(a) )	(1,718,111)	-
		<b>1,667,130</b>	<b>967,309</b>
<b>22</b>	<b>Investment management expenses</b>		
	<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
	Investment properties management expenses	330,221	306,009
		<b>330,221</b>	<b>306,009</b>
<b>23</b>	<b>Operating expenses</b>		
	<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
	PenCom fees	351,959	321,752
	Custodian fees	265,830	248,515
	Audit fees	9,000	8,063
	Other expenses	675	-
		<b>627,464</b>	<b>578,330</b>

There was no non-audit service(s) rendered by the auditor during the year (2021: Nil) hence, no fees earned by the auditor outside the audit services rendered.

**24 Impairment (loss)/reversal allowance on financial assets**

<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
Impairment (reversal)/charge on FGN bond	33,564	(18,484)
Impairment charge on eurobond	229,397	244,462
Impairment reversal on state bond	1,496	(4,397)
Impairment reversal on corporate bond	(8,327)	(7,294)
Impairment charge/(reversal) on treasury bills	(16,647)	16,647
Impairment reversal on commercial papers	-	-
Impairment reversal on cash and cash equivalents	104,690	(56,234)
Impairment (reversal)/charge on receivables and other assets	(10,934)	(43,973)
	<b>333,239</b>	<b>130,727</b>

**25 Contributions by Sponsor**

<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
Current year contribution received	<b>6,192,323</b>	<b>12,511,072</b>

The Fund is fully funded by the sponsor TotalEnergies EP Nigeria Limited

**26 Payment to retired members**

<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
Pension benefits paid	8,722,327	7,487,547
Commutted pension	13,012,002	7,644,446
	<b>21,734,329</b>	<b>15,131,993</b>
Guaranteed/other Pension Benefit paid*	973,204	198,836
	<b>22,707,533</b>	<b>15,330,829</b>

\*Guaranteed benefits are payable to Fund members who have completed a minimum of 15 years accredited service and may qualify for voluntary early retirement upon attainment of 45 years of age

**26.1 Movement in the Asset Value**

<i>In thousands of Nigerian Naira</i>	<b>2022</b>	<b>2021</b>
Benefits accrued as a result of operations	41,924,549	28,892,486
Contribution received during the year	6,192,323	12,511,072
Benefits paid during the year	(22,707,533)	(15,330,829)
Net increase in Fund during the year	<b>25,409,339</b>	<b>26,072,729</b>

**27 Related Parties**

**(a) TotalEnergies EP Nigeria Limited**

This affiliated entity is the "Sponsor" of the Fund, and provides funding for pension liabilities to the Fund. The outstanding amount due from the Company and its Venture Partners as at the year end was NIL (2021: NIL).

Also, four of the investment properties of the Fund are currently leased to the Sponsor for which an amount of ₦1.2 billion (2021: ₦1.2 billion) was earned in the current year as rental income and included as part of investment income in the statement of changes in net assets available for benefits.

**(b) TotalEnergies EP Nigeria CPFA Limited**

This affiliated entity is the Pension Fund Administrator, and the sole Trustee to the Fund in accordance with the Trust Deed. The company provides services to the Fund at no cost. During the year, the Fund earned a total of ₦212 million (2021: ₦188 million) from the company in respect of rent on one of its properties currently occupied by the company.

**28 Events after the reporting date**

There were no events after the reporting date requiring disclosure in, or adjustment to, the financial statements of the Fund (2021: NIL).

**29 Contingent assets and liabilities**

The Fund does not presently own any contingent asset and is not exposed to any contingent liabilities as at the reporting date

**30 Actuarial Valuation**

Alexander Forbes carried out the actuarial valuation of the Pension Fund at 31 December 2022.

Based on the terms of the Trust Deed, and in line with the provisions of the Pension Reform Act 2014, a valuation is due every year, with the next falling due on 31 December 2023.

### 31 Actuarial Present Value of Accumulated Pension Fund Benefits and Net Assets

The actuarial present value of accumulated Pension Fund benefits represents the present value of the expected payments by the Pension Fund to existing and past employees, attributable to the service already rendered.

Accumulated Pension Fund benefits are those future periodic payments, including lump sum distributions, which are attributable under the Pension scheme's provisions to the service employees have rendered. Accumulated Pension Fund benefits include benefits payable to:

- i Retired employees or their beneficiaries; and
- ii Beneficiaries of employees who have died

Benefits payable are included, to the extent that they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of the accumulated Pension Fund benefits is determined by Alexander Forbes, consultants and actuaries (FRC/2017/NAS/00000016625), and is that amount that results from applying actuarial assumptions to adjust the accumulated pension benefits to reflect the time value of money (through discounts for interests) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The last actuarial valuation of the Fund was made as at 31 December 2022 and the significant actuarial assumptions used in the valuations were as follows:-

#### i Actuarial assumptions:

Mortality rates for members in service were based on the A67/70 Ultimate Tables, published jointly by the Institute and Faculty of Actuaries, UK while the PA(90) Table, similarly jointly published, was used for members in Pension

Withdrawal from Service:-The following percentages of staff were assumed to withdraw from service

	2022	2021
Less than 45 years of age	0.00%	0.00%

#### ii Financial assumptions:

*Per annum*

	2022	2021
Long term discount rate (about 15 years plus)	14.9%	12.5%
Long term average inflation	14%	12%
Average rate of increase in salaries and allowances	14%	12%
Rate of increase to pensions in payment	6%	6%

The valuation established the Scheme's accumulated pension benefit obligations at ₦205.30 billion (2021: ₦217.40 billion). (on a liquidation or vested benefit basis) and ₦251.40 billion (2021: ₦258.78 billion), (on a going-concern or projected benefit basis).

The foregoing actuarial assumptions are based on the presumption that the Pension Fund will continue as a going concern into the foreseeable future. Were the Pension Fund to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Actuarial present value of the benefits on a liquidation basis - i.e, based on service rendered to date and present pay levels, as at 31 December comprise:

<i>In thousands of Nigerian Naira</i>	2022	2021
Pension Benefits, Members in Pension	125,456,940	144,329,790
Pension Benefits, Members in Service-Vested	79,843,820	73,074,267
	<b>205,300,760</b>	<b>217,404,057</b>

The corresponding valuation of the benefits under the Scheme as at the same date on a going concern basis, that is , based on service rendered to that date and factoring in the impact of projected salary increases amounted to the following:

<i>In thousands of Nigerian Naira</i>	2022	2021
Pension Benefits, Members in Pension	125,456,940	144,329,790
Pension Benefits, Members in Service-Vested	79,843,820	73,074,267
Pension Benefits, Members in Service-Non-Vested	46,101,626	41,380,714
	<b>251,402,386</b>	<b>258,784,771</b>

### 31 Actuarial Present Value of Accumulated Pension Fund Benefits and Net Assets - Continued

#### Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below: Although this analysis does not take into account the full distribution of cash flows expected under the plans, it does provide an approximation of the sensitivity of the assumptions shown.

<i>Effect in thousands of Naira</i>	31 December 2022		31 December 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	231,817,667	273,553,274	237,483,858	238,082,992
Future salary growth (1% movement)	268,305,001	236,236,475	277,499,705	242,103,077
Future pension growth (1% movement)	265,159,389	239,120,792	275,192,361	244,308,477
Retirement age increase (1 year movement)	247,196,782	255,480,595	253,664,032	263,797,023

#### (iii) Plan assets

Plan assets comprise the following: *In Thousands of Nigerian Naira*

	2022	2021
Equity securities:		
- Consumer markets	853,650	921,671
- Financial institutions	3,100,186	3,399,798
- Telecommunications	6,678,932	4,624,121
- Real estate	104,530	24,239
Funds	1,448,652	876,055
Government backed instruments	215,653,600	218,742,701
Investment properties	25,028,585	31,005,508
Receivables and other assets	176,205	166,122
Cash and cash equivalents	105,806,919	71,272,370
Others	7,539,618	7,412,235
	<b>366,390,877</b>	<b>338,444,820</b>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by the Nigerian federal and state governments and are rated AA+ to BBB+, based on GCR and S&P ratings. The plan assets presented above do not include Prepayments as they are not available to be used in the settlement of the obligations of the Fund.

At each reporting date, an asset-liability matching (ALM) study is performed and the consequences of the strategic investment policies are analysed. The strategic investment policy of the pension fund can be summarised as follows:

- a strategic asset mix comprising 0-5% equity securities, 40-60% government bonds and 20-30% other investments;
- interest rate risk is managed through the use of debt instruments (government bonds)