2023
ANNUAL REPORT

PUBLIC SERVICE PENSIONS FUND
(PSPF)

PUBLIC SERVICE PENSIONS FUND

KEEPING YOUR PENSION PROMISE

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MANDATE

The Public Service Pensions Fund (PSPF) was established by an act of Parliament under Cap 260 of the Laws of Zambia Act No. 35 of 1996. It is a partially funded defined benefits scheme, which provides pension benefits to retired public servants and survivors.

PSPF is financed by pension contributions from the employer (Government) and employees who contribute each at the rate of 7.25% of the pensionable monthly salary. Additional funds are appropriated by parliament to meet the funding gap and payment of early retirement and deceased cases.

The Membership of the Fund is defined by the PSP Act, and comprises staff from the Civil Service, the Teaching service, the Defence Forces, Security Wings and Judiciary.

VISION

Quality Life and a Secured Future for Members and their Dependents.

MISSION

To expeditiously pay the exact benefits whilst providing value added products to secure the future of our members and their dependents.

CORE VALUES

The Core Values of the Fund are:

1. Excellence
2. Professionalism
3. Integrity
4. Customer Focus
5. Accountability
6. Leadership

DEPARTMENTS OF THE FUND

The Fund has four key Directorates namely:

1. Pensions Administration
2. Human Resource and Administration
3. Finance & ICT
4. Investments

BOARD OF DIRECTORS

Mr. John Kasanga
Board Chairman

Brig. General Nathan Chiselwa
Board Member

Mr. Isaac Ngoma
Board Member

Mrs. Bernadette Muzumbwe Katongo - **Board Member**

Mr. Kayula Chimfwembe
Board Member

Mrs. Musonda Ulaya
Board Member

Mr. Makai Makai
Board Member

Mr. Luwani Soko
Board Member

Mr. Allan Nyirenda
Board Member

Mr. Nicholas Kabaso
Board Member

Evangelist Sepiso Kabalanyana
Board Member

Mr. Chambani Lisulo
Board Member

Mr. Francis P. Nyirenda
Acting Secretary and Chief Executive

EXECUTIVE MANAGEMENT

Mr. Francis P. Nyirenda
Acting Secretary and Chief Executive

Ms. Sampa B. Kangwa
Director - Pension Administration

Mr. Kingsley Kabuta
Acting Director - Finance & ICT

Mrs. Kunda Musonda - Chola
Director - Investments

Mr. Derick Lungu
Director - Human Resource & Administration

CHAIRMAN'S REMARKS

I am pleased to state that the Public Service Pensions Fund (PSPF) has consistently delivered quality service to its members in a timely manner, as evidenced by the overall performance of the Fund during the period under review.

In 2023, the investment portfolio achieved an annualized return of 19% (K1.046 billion), surpassing the 18% recorded in 2022 (K639.60 million).

The Equity portfolio yielded a return of 68%, while fixed income securities recorded an 18% return, bolstered by increased investments in GRZ bonds.

The income from real estate continued to rise following the commissioning of the Longacres mall. Overall, the Portfolio income grew by 31% from K649 million in 2022 to K850 million in 2023.

A significant milestone during this period was the digitization of our services. Through the launch of our Mobile App and USSD platform, we have provided members with seamless access to a wide array of products and services. Furthermore, the Fund has established a Contact Centre to make PSPF services accessible to clients through digital platforms such as webchat and voice calls. These digital transformations have not only enhanced efficiency but also ensured convenient access to pension information for our members anytime, anywhere.

The achievements posted during the year under review could not be realized without the usual Government support through the Financing Gap, Grant, and timely remittance of contributions to PSPF by the treasury.

While celebrating these successes, the Board however, acknowledges the challenges particularly in addressing outstanding pension benefits with a notable average waiting period which will be resolved.

The Board remains optimistic that through continued engagement with the Government and other critical stakeholders, the challenges faced during the period under review will be resolved, and the Fund will achieve its goal of financial health and sustainability in the long run.

Mr. John Kasanga
Board Chairman
Public Service Pensions Fund Board

CHIEF EXECUTIVE'S REMARKS

The Management of the Public Service Pensions Fund (PSPF) is grateful for the steadfast support from the Board, which has enabled us to consistently deliver quality service to our members, ensuring a secure future for them both during their service and in retirement.

The Fund has continued on its positive trajectory in achieving strategic objectives, as evidenced by the highlights of this report. This progress underscores the dedication of the Board, Management, and Staff to maintain high-quality service and expand the Fund's asset base and investment portfolio.

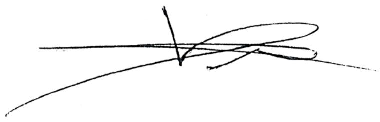
We are pleased that in 2023, PSPF continued the journey of technological advancement to enhance operational efficiency and improve access to its products and services.

A significant achievement in the past year was the establishment of a fully-fledged contact center, enabling clients to access PSPF services through digital platforms such as webchat, Facebook, and voice calls.

Additionally, the launch of the Mobile App and USSD platforms have provided our members with seamless access to a wide range of products and services.

Finally, we are grateful for the consistent funding provided to PSPF by the Government, which has enabled more pensioners to receive their benefits.

We extend our sincere appreciation to the Government for their support, the Board and to all staff as well as our partners for their contributions to the milestones achieved during the year under review.



Mr. Francis P. Nyirenda
Acting Secretary and Chief Executive
Public Service Pensions Fund Board

1 Operations of the Fund

1.1 Membership profile

The total membership of the Fund as of 31st December 2023 stood at 172,791 compared to 157,701 in December 2022. There was an increase of 15,090 representing 9.6%. This was mainly due to recruitments under Défense Forces and Security Wings in the 1st and 4th quarters of the year 2023.

The total membership comprised 107,112 contributing members and 65,679 Pensioners and Beneficiaries.

Figure 1: 2023 Membership Profile

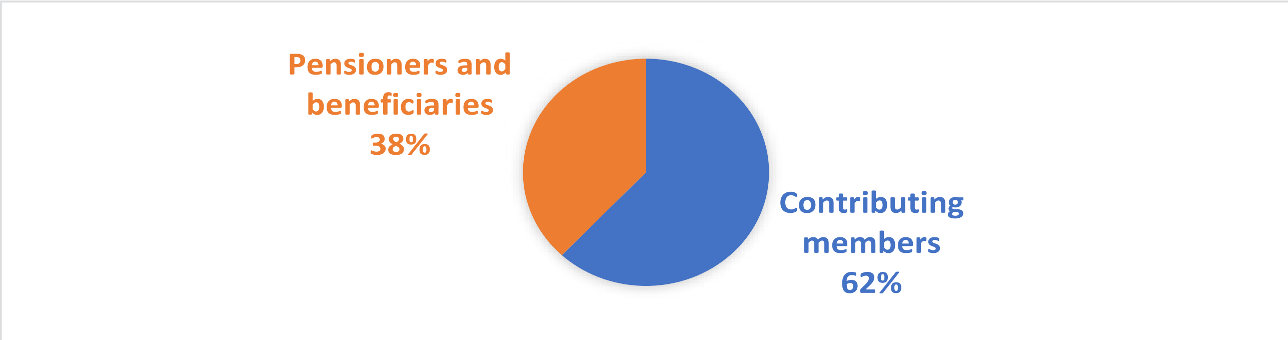


Table 1: 2023 Recruitments

Institution	No. of recruitments
ARMY	7824
ZAF	1244
ZNS	2198
PMEC	3898
TOTAL	15,164

The number of contributing members increased by 11,853 from the year 2022 which had 95,259 representing a 12.4% increase. Pensioners and beneficiaries' figure increased by 3,237 (5.2%) from the year 2022 which recorded 62,442.

Figure 2: Member profile and dependency ratio from 2010 to December 2023

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pensioners and Beneficiaries	53,281	58,008	59,887	55,815	58,363	58,634	57,741	59,512	62,442	65,679
Contributing members	93,135	93,060	92,990	92,365	94,671	93,848	93,454	92,946	95,259	107,112
Total	146,416	151,068	152,877	148,180	153,034	152,482	151,195	152,458	157,701	172,791
Dependance ratio	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6

The number of pensioners and beneficiaries has been increasing over the years. From 53,281 in 2014 to 65,679 as of 31 December 2023 representing an increase of 23%.

1.1.1 Analysis of contributing members by Ministry

The Payroll Management and Establishment Control (PMEC) which represents all other Ministries except Défense, Home Affairs and Office of the President (OOP) accounted for 36% while the Defense and other Security Wings represented 64% (i.e. Defense 33%, Home Affairs and internal security 29 % and OOP 2%.

Figure 3: Active members per Ministry

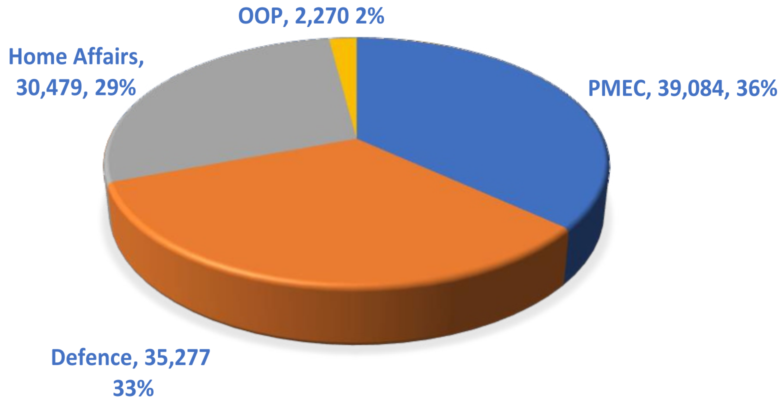
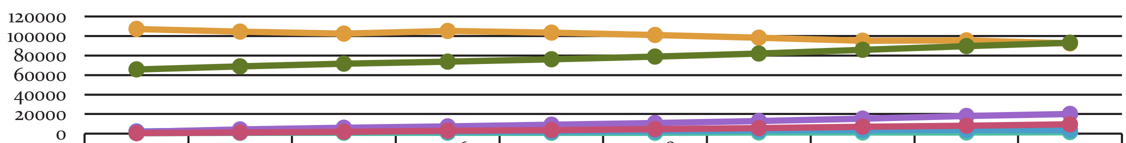


Table 2: Analysis of contributing members by Gender

MINISTRY	FEMALE	MALE	TOTAL
ARMY	3,876	17,978	21,854
ZAF	1,163	6,692	7,855
ZNS	1,670	3,898	5,568
OOP	682	1,590	2,272
HOME AFFAIRS	10,378	20,091	30,469
PMEC	19,645	19,439	39,084
TOTAL	**37,414**	**69,688**	**107,102**
percentage	35%	65%	

The gender analysis in table 2 indicates that female contributing members stood at 35% compared to 65% for male contributing members.

Figure 4: projections of retirement cases for a 10-year period



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Civil	1739	2493	1834	1421	1512	1727	2191	2513	2547	2122
Defence +Others	499	803	710	800	834	995	1064	1219	1193	1428
Total	2238	3296	2544	2221	2346	2722	3255	3732	3740	3550
Cum Civil	1739	4232	6066	7487	8999	10726	12917	15430	17977	20099
cum-Def	499	1302	2012	2812	3646	4641	5705	6924	8117	9545
Overall Contributing	107112	104493	102501	104995	103280	101109	98369	95138	95600	92460
Overall retired	65679	68975	71519	73740	76086	78808	82063	85795	89535	93085

Projections in figure 4 indicate that more than 2000 officers will retire each year from the scheme and by 2042 almost all civil servants will have retired, and no contributions will be received. This means that the scheme will have more pensioners than contributing members, thus less income to meet the pension cost. Opening the scheme to new entrants on sustainable parameters may assist in addressing this challenge.

1.2 Member Contributions

The contribution rate stands at 14.5% shared equally between the employer and employee in accordance with the PSP Act no. 35 of 1996. Total annual contributions stood at K1.30 billion in 2023 compared to K1.15 billion in 2022 representing an increment of K0.15 billion (i.e., 11.5%). This was attributed to an increase in Contributing members following the recruitment of 15,164 members in the year.

1.3 Monthly pension to Pensioners and Beneficiaries

The total annual annuity bill was K943.29 million (78.61 million per month) and pensioners and dependents at end of the year stood at 65.679 compared to K787.30 million (K65.61 million per month) and 62,442 pensioners and beneficiaries in 2022. The increase is attributed to both the increase in the number of retirement cases and the award of 8% increment on monthly pension.

1.4 Gender analysis of Pensioners and Beneficiaries

The Gender analysis on pensioners and dependents has overall 53% male and 47% female. However, on individual categories it shows 16% male and 84% female on spouses and 40% male and 60% female on guardians.

Table 3: Gender analysis as of 31st December 2023

	MALE	%	FEMALE	%	TOTAL
Members	31,153	70	13,351	30	44,504
Spouses	3,156	16	16,570	84	19,726
Guardians	580	40	869	60	1,449
Total	**34,889**	**53**	**30,790**	**47%**	**65,679**

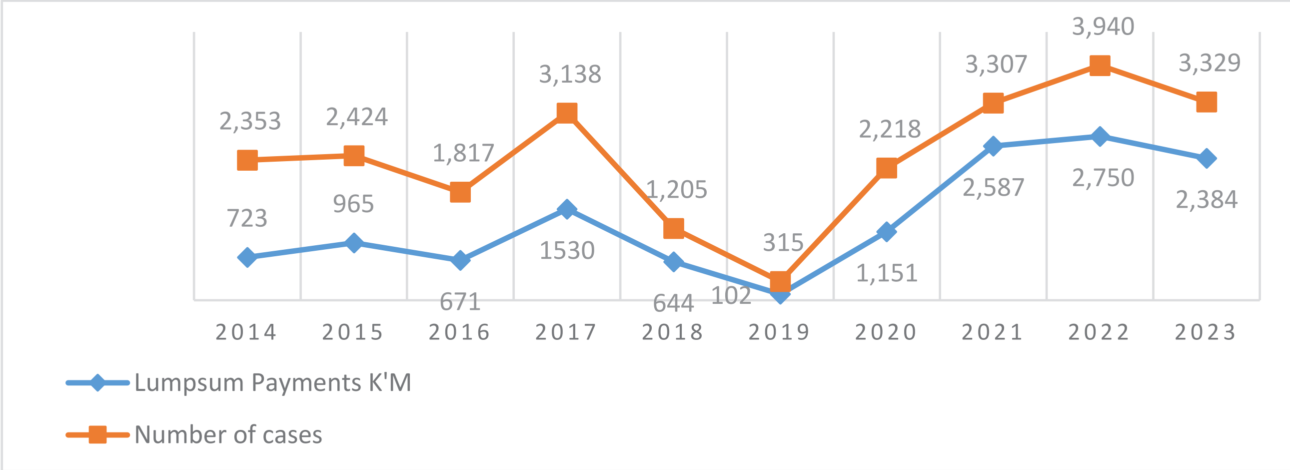
1.5 Lumpsum pension benefits paid

In 2023, a total of K2.38 billion was paid to 3,329 Pensioners and beneficiaries towards lumpsum pension arrears. From the amount paid, a total of K1.49 billion representing 62% was paid out to 1,795 statutory retirement cases and K0.88 billion representing 38% was paid to 1,534 early /death retirement cases.

Table 4: Lump sum pension paid.

Category	January to December 2023		January to December 2022	
	No. of cases	Amount K' million	No. of cases	Amount K' million
Statutory retirement	1,795	1,487	2,084	1,700
Early and deceased	1,534	897	1856	1,050
Total	**3,329**	**2,384**	3,940	**2,750**

Figure 5: Analysis of lump sums pension benefits and number of cases paid over a 10-year period



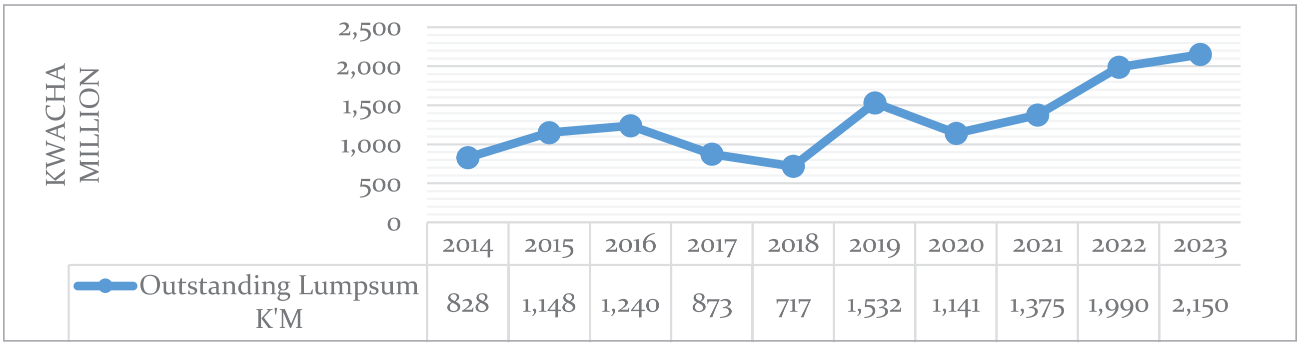
1.5.1 Outstanding lumpsum benefits in 2023

The Fund had 2,376 cases with an estimated amount of K2.15 billion outstanding in pension arrears. This figure was more by K0.6 billion compared to 2022 pending payment. Out of the stated figure, statutory retirement cases were 1,287 amounting to K1.43 billion representing 66% of the total pending amount. Pending cases for early retirement and deceased were 1,089 cases amounting to K0.72 billion or 34% of the pending amount.

Table 5: Pension benefits arrears

Category	2023		2022	
	No. of cases	Amount (K' Million)	No. of cases	Amount (K' Million)
Statutory Retirements	1,287	1,430	1450	1,220
Early and Deceased	1,089	720	1,495	770
Total	**2,376**	**2,150**	**2,945**	**1,990**

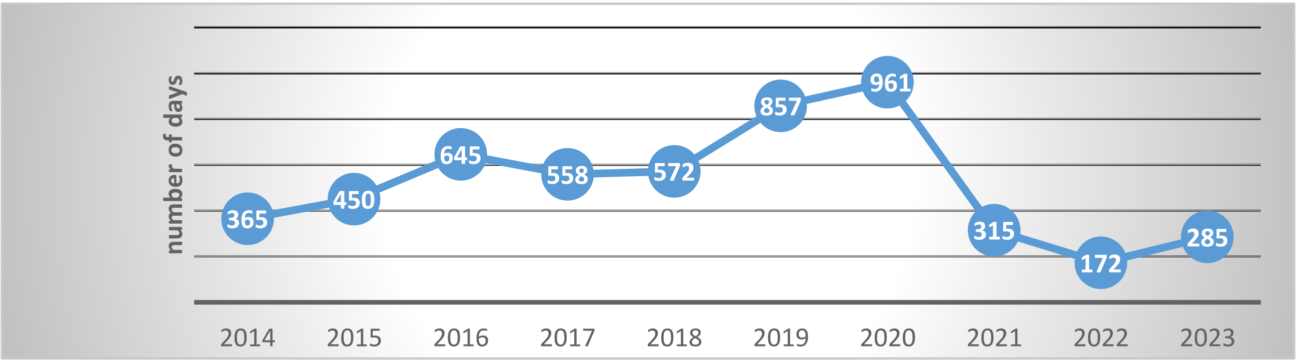
Figure 6: Analysis of unpaid lumpsum over a 10-year period



1.5.2 Waiting Period Analysis for Lump Sum Benefits

The average waiting time for pensioners and beneficiaries to receive their lump sum benefits in 2023 was approximately 285 days. The following analysis provides a detailed breakdown of the waiting period for lump sum benefits over a 10-year period.

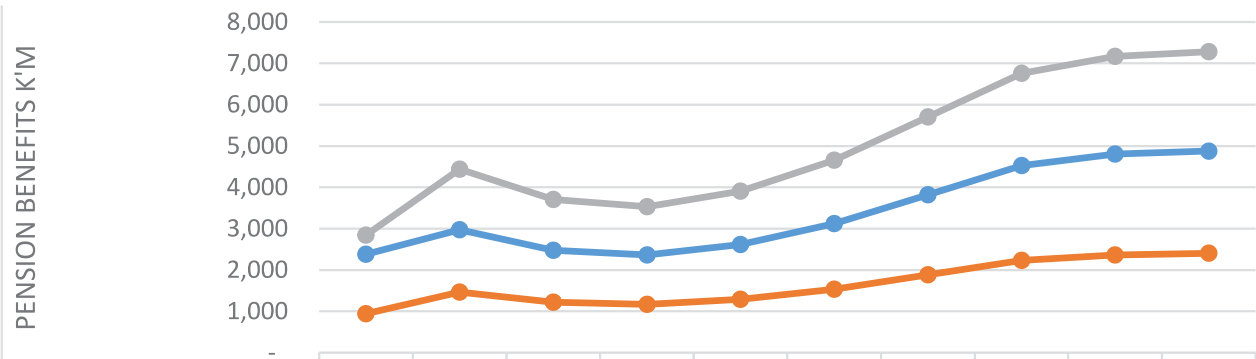
Figure 7: Analysis of average waiting period for lump sum benefits over a 10-year period



1.5.3 Retirement and Pension Benefits Forecast

A forecast of expected retirement cases and associated pension benefits for a 10-year period reveals the following trends:

Figure 8: Forecast of retirements, lumpsum benefits and annual annuities/Pension



	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
LUMPSUM	2,384	2,972	2,481	2,365	2,619	3,123	3,820	4,526	4,803	4,879
ANNUAL PENSION	943	1,463	1,222	1,165	1,290	1,538	1,882	2,229	2,366	2,403
TOTAL	2,846	4,435	3,703	3,530	3,909	4,661	5,702	6,755	7,169	7,282

1.5.4 Customer Care

The Public Service Pension Fund (PSPF) prioritizes effective customer engagement through a variety of accessible platforms. Members can inquire or follow up on issues by visiting our Head Office in Lusaka, our Northern Region Office in Ndola, and any of our 26 decentralized offices nationwide, in collaboration with our partners, including the Zambia National Pensioners Association (ZANAPA), the Zambia National Union of Teachers (ZNUT), and the Civil Servants and Allied Workers Union of Zambia (CSAWUZ).

Additionally, PSPF conducts outreach programs in partnership with security wings and defense forces, ensuring assistance reaches members in various locations across the country. Our online presence also supports customer engagement through our website and Facebook page.

During the year under review, the Fund addressed a total of 56,338 customer queries, reflecting a decrease of 24% from 74,252 queries in 2022. Of these, 26,742 queries were handled at the Headquarters in Lusaka, 16,495 were addressed by our partners, and 13,101 were managed by the Northern Regional Office in Ndola.

1.6 Establishment of Contact Centre

In the year under review, the Management of the Public Service Pension Fund (PSPF) successfully established a dedicated Contact Centre aimed at enhancing service accessibility for our clients. This initiative is a significant step towards modernizing our customer service approach and reflects our commitment to meeting the evolving needs of our members.

The Contact Centre enables clients to engage with PSPF services through a variety of digital platforms, including webchat, Facebook, and voice calls. By utilizing these channels, we aim to provide prompt and efficient responses to inquiries, ensuring that members can easily access the information and assistance they need, regardless of their location.

This development not only facilitates real-time communication but also empowers clients to connect with us through their preferred methods. The Contact Centre is staffed by trained representatives who are equipped to handle a wide range of queries, from general inquiries about pension services to specific account-related questions.

Furthermore, the establishment of the Contact Centre aligns with our strategic goals of enhancing customer experience and increasing member satisfaction. By integrating technology with our customer service operations, we are poised to provide a seamless and responsive support system that meets the demands of a diverse membership base.

As we continue to refine and expand the functionalities of the Contact Centre, we anticipate that it will play a crucial role in fostering stronger relationships with our members and improving the overall delivery service in the coming years.

1.7 Sensitization activities on Social Security Numbers and retirement planning

In 2023, the Public Service Pension Fund (PSPF) undertook targeted sensitization activities designed to enhance awareness and understanding of Social Security numbers and the importance of retirement planning among various stakeholder groups. These initiatives reflect our commitment to educating members and ensuring they are well-informed about their rights and benefits.

The sensitization activities were conducted in collaboration with key partners, including the Zambia Army, the Zambia Correctional Service Commission in Central Province, and the Zambia National Union of Teachers (ZNUT). These engagements were strategically focused on reaching diverse audiences, helping to address the specific needs and concerns of each group.

Through a series of workshops, seminars, and informational sessions, participants received valuable insights into the significance of Social Security numbers as essential tools for accessing pension benefits. The sessions emphasized how timely registration and proper management of these numbers can facilitate a smoother transition into retirement.

Additionally, our outreach efforts highlighted the critical importance of retirement planning, equipping participants with practical knowledge on how to prepare for their financial future. Topics covered included savings strategies, investment options, and the benefits of early retirement planning.

The feedback from these sensitization activities has been overwhelmingly positive, with many attendees expressing gratitude for the information provided and a renewed commitment to proactive retirement planning. By fostering a culture of awareness and education, we aim to empower our members to make informed decisions regarding their pension benefits and overall financial well-being.

Moving forward, PSPF is committed to expanding these sensitization efforts to reach even more individuals across various sectors. We believe that continued education and engagement are essential in ensuring that all members are adequately prepared for their retirement journeys. The Mall: By the end of 2023, the construction of the mall was completed, with 76% of the available space leased out.

2 Investments of the Fund

The investment portfolio registered an annualised return of 19% compared to 18% in 2022. This return was mainly attributed to the good performance of the equity, Government Bonds and Fixed deposits in the year 2023.

2.1 Equity Portfolio

The Equity portfolio realized a gain of K242 million, reflecting an annualized return of 68% from 28% recorded in 2022. In our portfolio, Zambia Sugar plc emerged as the best performing stock followed by Copperbelt Energy Corporation Plc.

The Lusaka Securities Exchange All Share Index (LASI) showed a growth of 48% between the closing index of December 2022 and that of December 2023.

2.1.1 Dividend Income

During the year under review, dividends earned amounted to K58.77 million compared to K23.94 million earned in 2022 reflecting a growth of 145% between the two periods.

2.2 Money and other fixed Income Securities

2.2.1Local Money Market

The investments in fixed income securities generated a net income of K516.62 million, yielding an annualised return of 18% by the end of 2023. This was 4.9 percentage points above the inflation rate of 13.1% in 2023.

The weighted average yield for treasury bills was 13.09% at the close of 2023. The annualised yield of 18% achieved in the local fixed income securities was above the average weighted yields on the treasury bills. This was because of Management ‘s ability to successfully negotiate attractive rates in the local money market.

2.2.2 Offshore Investment (Crown Agents Investment Management Ltd)

The investment grew from ₤1.9 million in 2022 to ₤2.010 million in 2023 due to gains and interest received in the month of December 2023 representing a gain of ₤101,978.19. With the depreciation of the Kwacha against the British Pound a translation gain of K10.85 million was recorded.

2.3 Microfinance

The Micro Finance portfolio grew from K633.9 million in 2022 to K734 million in 2023 representing a growth of 15%. K188 million worth of loans were disbursed in the period under review compared to K175.4 million disbursed in 2022.

The loan scheme recorded improved recoveries, receiving K343.33 million compared to K252 million in 2022. This performance was mainly attributed to enhanced remittance of recoveries from Ministry of Finance under PMEC payroll and DDAC recoveries.

2.4 Home Ownership Scheme

During the year, 69 mortgages were approved valued at K26.18 million compared to K15.5 million in 2022. The loan scheme collections increased from K28.4 million in 2022 to K59.91 million in 2023, representing an increase of 111%.

2.5 Real Estate Portfolio

2.5.1 Rental Income

The income for this portfolio has been segmented into two categories: namely Other Properties and the Mall.

a) Other Properties

A total of K7.32 million was collected in 2023, an achievement of 33% of the annual budget.

b) The Mall

A total of K28.20 million was collected against the budget of K45.4 million for the year representing a budget performance of 37%.

2.5.1.1 Tenancy

a) The Mall

By end of 2023, construction of the mall had been completed and 76% space leased out.

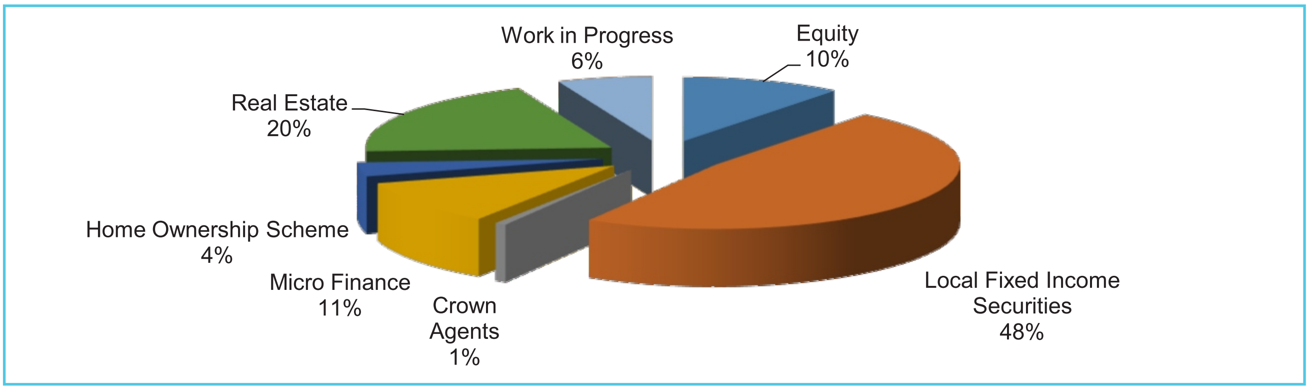
b) Offices

The entire Office space had been leased out with National Health Insurance Management Authority (NHIMA), Zambia Industrial and Commercial Bank Ltd (ZICB) and Multichoice (Z) Limited taking up the space.

2.6 Portfolio distribution by market value

The local fixed income securities had the largest share at 48% followed by the real estate at 20%. The microfinance scheme was at 11%.

Figure 9:



3 Challenges

The Fund continued to face challenges related to the following;

3.1 As at 31st December 2023, estimated outstanding pension benefits stood at K2.15 billion for 2,376 Pensioners and Beneficiaries with an average waiting period of about 285 days.

PUBLIC SERVICE PENSIONS FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023.

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TRUSTEES, SERVICE PROVIDERS AND OTHER INFORMATION

The trustees who held office during the year and to the date of this report are:

John Kasanga	Chairman (Appointed 2023)
Musonda Ulaya	Representative, Ministry of Labour & Social Security (Appointed 2023)
Luwani Soko	Representative, Public Service Management Division (Appointed 2023
Kayula Chimfwembe	Director of Budget, Ministry of Finance & National Planning (Appointed
Willies Chipango	Director of Budget, Ministry of Finance & National Planning (Retired 20
Isaac Ngoma	General Secretary, Zambia National Union of Teachers (Appointed 202
Brig.Gen. Nathan Chiselwa	Representative of the Defense Force (Appointed 2023)
Miyoba B. Muzumbwe Katongo	Representative, Ministry of Justice (Appointed 2023)
Chambani Lisulo	Representative of the Security Services
Martin Lukwasa	Representative of the Attorney General (Retired 2023)
Lugard Sichalwe	National Secretary, Zambia National Pensioners Association(Retired)
Sepiso Kabalanyana	National Secretary, Zambia National Pensioners Association
Makai Makai	Representative of the Civil Servants & Allied Workers Union of Zambia
Allan Nyirenda	Representative of the Zambia Chamber of Commerce and Industry
Nicholas Kabaso	Representative of the Lusaka Securities Exchange (Appointed 2024)
Lina Lungu	Representative of the Lusaka Securities Exchange (retired 2023)

KEY SUB COMMITTEES

Finance and Investments Committee

Kayula Chimfwembe
Nicholas Kabaso (Appointed 2024)
Luwani Soko
Lina Lungu (Retired 2023)
Isaac Ngoma

Audit Risk & Compensation Committee

Allan Nyirenda
Isaac Ngoma
Lina Lungu (Retired 2023)
Miyoba B. Muzumbwe Katongo(Appointed 2023)
Chambani Lisulo

Pensions and Benefit Committee

Makai Makai
Lugard Sichalwe (Retired 2024)
Brig-Gen Nathan Chiselwa
Musonda Ulaya

SENIOR MANAGEMENT

Patrick Bobo	Secretary and Chief Executive (Retired 2023)
Francis Pindani Nyirenda	Secretary and Chief Executive (Appointed 2024)
Barbara Sampa Kangwa	Director Pension Administration
Kingsley Mulenga Kabuta	Acting Director Finance
Matandiko Matandiko	Director Investment (Retired 2024)
Derrick Lungu	Director Human Resource

TRUSTEES, SERVICE PROVIDERS AND OTHER INFORMATION

INVESTMENT MANAGER

Public Service Pensions Fund
Plot No. 7534
Sapele Road
Lusaka

ACTUARY

Gralix Actuarial Consulting
Ground Floor, LA Complex
Plot 4897 LA Boulevard
Longacres
Lusaka, Zambia

PROPERTY VALUERS

Liberty Property Consultants
Plot No 1311, Flat 4 Lubu Road
Longacres
Lusaka

AUDITOR

PricewaterhouseCoopers Zambia
PwC Place
Stand no. 2374
Thabo Mbeki Road
P.O. Box 30942
Lusaka

BANKERS

Indo-Zambia Bank Limited
Atlas Mara (Z) Limited
Stanbic Bank (Z) Limited
United bank of Africa
Zambia National Commercial Bank Plc
Malawi Savings Bank
Standard Bank of South Africa
Crown Agents Bank

REGISTERED OFFICE

Public Service Pensions House
Plot No. 7534
Sapele Road
Lusaka

REPORT OF THE TRUSTEES

The trustees submit their report together with the audited annual financial statements for the year ended 31 December 2023.

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The Fund was established, and is governed, under the Public Service Pensions Act No. 35 of 1996. It is a defined benefit scheme and provides, under the rules of the Fund, retirement benefits for the Defence Force, Security Force, Civil Service, Police and Zambia Correctional Service, Teaching Service and Judicial service. It is a tax exempt approved Fund under the Income Tax Act.

Employees contribute to the Fund at the rate of 7.25% of their respective basic salaries. The employer currently contributes 7.25%.

Actuarial position

The last valuation of the Fund was carried out as of 31 December 2023 by Gralix Actuarial Consulting. As per the valuation, the scheme had an actuarial deficit of K43.88 billion (2020: K50.42 billion) corresponding to a Funding level of 9.0% (2020: 3.0%) as at the valuation date. The total contribution rate to cover the cost of benefits accruing in the future is 24.62% (2020: 36.38%) of the pensionable salary. The deficit identified by the actuary is supported and will be funded by the Zambian Government. Refer to note 21 & 22. The Zambian Government finances the deficit through the annual government Funding and budgetary allocations.

Membership

		2023	2022
a)	**Total members**		
	Contributing members	**107,112**	95,259
	Pensioners	**65,675**	62,185
		172,787	157,444
b)	**Contributing members**		
	At the start of the year	**95,259**	96,161
	Joiners	**15,164**	2,440
		110,423	98,601
	Less:		
	Retired with pension	**(3,270)**	(2,529)
	Died in service	**(40)**	(214)
	Other leavers	**(1)**	(599)
	At the end of the year	**107,112**	95,259

REPORT OF THE TRUSTEES (continued)

c)	**Pensioners**	**2023**	2022
	At start of year	**62,185**	59,512
	Contributing members who retired	**2,595**	2,569
	Widows or widowers pension becoming payable	**1,849**	1,228
		66,629	63,309
	Less: Deaths	**(954)**	(1,124)
	At end of year	**65,675**	62,185

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 13 shows an increase in the net assets of the scheme for the year of **K461 million** (2022: K82 million) and the statement of net assets available for benefits on page 14 shows the scheme's net assets as **K4.15 billion** (2022: K3.69 billion).

INVESTMENT OF FUNDS

Under section 29 of the Public Service Pensions Act (PSPF) No. 35 of 1996, the Board is manda to invest any monies of the Fund not required to meet current charges, in interest bearing accou stocks, securities issued by or on behalf of the Government or in stocks, securities or Fu guaranteed by the Government, and in such other investments as may be approved or speci by the Board.

The Fund's investment strategy is to buy and hold, in case of fixed maturity securities, until matu and then replace them with similar securities. The decisions to invest are made by the Board.

REPORT OF THE TRUSTEES (continued)

INVESTMENT OBJECTIVES OF THE FUND

The investment objective of the Fund is to maximize returns on investments while ensuring security of investments held. As per the PSPF Act, the Board should not invest assets in excess of twenty per centum of its net asset value in any one form of investment. The investment of the Fund at 31 December 2023 comprised the following:

	2023 Amount K	2022 Amount K	**2023 % of net assets**	2022 % of net assets	**Limit %**
Equity investments	**685,586,983**	443,205,074	**17%**	12%	20%
Investment property	**1,295,820,431**	1,283,231,792	**31%**	35%	20%
Government securities	**2,069,339,088**	1,716,419,507	**50%**	46%	20%
Fixed and time deposits	**613,426,401**	354,367,170	**15%**	10%	20%
Staff loans	**31,582,712**	25,875,993	**1%**	1%	20%
Microfinance	**640,599,481**	553,869,137	**15%**	15%	20%
Home loans	**171,681,772**	203,415,891	**4%**	6%	20%
	5,508,036,868	4,580,384,564			
Net assets	**4,154,129,471**	3,692,994,662			

Some investments were in excess of the 20% threshold prescribed in the PSPF Act, the board intends to rebalance the portfolio in the long-term to achieve the 20% limit through a balanced investment mix and net assets growth. Secondly, the Fund is in an actuarial deficit which is covered by the government of Zambia. Therefore, the 20% threshold is impractical, and the board is currently engaging the Government on the amendment of the PSPF Act.

All assets with the exception of staff loans, Microfinance loans and Homeownership loans are carried at fair value. The loans are carried at amortized cost.

FUND EXPENDITURE

The proportion of administrative expenses to contributions receivable and net investment income in the year was as follows:

	2023 K	2022 K
Contributions income	1,310,006,121	1,160,058,021
Net investment income	751,811,790	561,596,376
Total	2,061,817,911	1,721,654,397
Administrative expenses	152,085,928	208,810,362
Proportion	**7%**	12%

Trustees believe that the level of Fund management and administration expenses is reasonable.

REPORT OF THE TRUSTEES (continued)

Fund auditor and remuneration

The Fund's auditor, PricewaterhouseCoopers, Zambia indicated willingness to continue in office. The auditors remuneration for the year was K1.00 million (2022:0.91 million) for audit services rendered to the Fund. There were no other services rendered to the Fund.

SOLVENCY

As disclosed in note 18 to the annual financial statements the Fund had an actuarial deficit of K43.8 million as at 31 December 2023. The actuarial deficit is not recognized in the books of the Fund as th charge is on the general revenues of the Republic of Zambia as per Article 265(2) of the Zambia constitution.

The deficit is guaranteed by the Government of Zambia. It is currently Government's policy as th sponsoring employer to continue to give the Fund such financial support as may be necessary to enab it to continue to operate in the foreseeable future. The next actuarial valuation of the Fund is due on 3 December 2026.

By order of the Board

Secretary and Chief Executive

Lusaka 28 June ***2024***

STATEMENT OF TRUSTEES RESPONSIBILITIES

The Public Service Pensions Act requires the trustees to prepare annual financial statements for each financial year that give a true and fair view of the state of affairs of the Fund as at the end of the financial year. It also requires the trustees to ensure that the Fund keeps proper accounting records of its income, expenditure, liabilities and assets and that contributions are remitted to the custodian in accordance with the rules of the Fund.

The trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting Standards and the requirements of the Public Service Pensions Act. The trustees are of the opinion that the annual financial statements give a true and fair view of the state of the net assets available for benefits and changes in net assets available for benefits in accordance with IFRS Accounting Standards as issued by the IASB. The trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement due to fraud or error.

The trustees certify that to the best of their knowledge and belief, the information furnished to the auditor for the purposes of the audit was correct and complete.

The actuaries assessed the actuarial liability at K48.03 billion as at 31 December 2023 (2020: K51.96 billion) but the fair value of the net assets available for benefits was K4.15 billion (2020: K1.54 billion) resulting in a deficit of K43.88 billion (2020: 50.42 billion) at that date.

The actuaries recommend that (i) action should be taken to address the misalignment between the total current contribution rate and the benefits offered by the Fund or alternatively provide lumpsum capital injection; or (ii)apply late payment interest on the Fund's outstanding contributions (iii) consider increasing child pensioner's age to 21, subject to the child undergoing tertiary education and not married (iv) investing offshore(v) consider revising the commutation factors.

Members are at risk if the above actions are not implemented since the Fund will experience liquidity problems in future.

Section 57 of the Public Service Pension Act 35 of 1996 states that, "this Act shall bind the Republic". The Government of the Republic of Zambia is fully responsible for funding the Fund's deficit. As a result, the Fund's deficit is not recognized in the Fund's annual financial statements. It is currently Government's policy as the major stakeholder of PSPF to continue to give the Fund such financial support as may be necessary to enable it to continue to operate in the foreseeable future. It is on this premise that the trustees believe that the Fund will remain a going concern for at least the next twelve months from the date of these annual financial statements.

Signed on their behalf by:

Trustee ....

Trustee ....

28 June 2024

wc

Independent auditor's report

To the Members of Public Service Pensions Fund

Report on the audit of the annual financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Public Service Pensions Fund (the "Fund") as at 31 December 2023, and of its financial performance and its cash flows the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Public Service Pensions (PSP) Act No. of 1996 of the Laws of Zambia.

What we have audited

Public Service Pensions Fund's financial statements are set out on pages 13 to 57 and comprise:

- the statement of changes in net assets available for benefits;
- the statement of net assets available for benefits;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibiliti under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for o opinion.

Independence

We are independent of the Public Service Pensions Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Report on the audit of the annual financial statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our a of the annual financial statements of the current period. These matters were addressed in the context of c audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
1. Impairment provision for mortgages, loans and advances to customers As disclosed in Note 9, the Fund's gross loans and advances amounted to K955.4 million and the related provision for loan loss impairment recognised totaling K111.5 million. Management exercises significant judgment by applying assumptions in the model used to determine expected credit losses for mortgages, loans and advances carried at amortised cost. Significant judgments were made in determining probabilities of default, loss given default and selection of forward-looking information and the classification of mortgages, loans and advances. Further information about mortgages, loans and advances is presented in notes 3(b) and 9 of the financial statements.	We carried out the following procedures: • We reviewed the Fund's methodology for determining expected credit losses and evaluated this against the requirements of IFR 9. • We tested how the Fund extracts 'days past du applied in classifying the loans and advances portfolio into the three stages required by IFRS 9. For a sample of the portfolio, we recalculate the 'days past due' applied in the model to the Fund's IT system and to the respective custon files. For significant judgments made on stagir we challenged how management had determined the staging by reviewing management's basis and corroborated the sar through review of corresponding customer cre files. • We obtained an understanding of the basis us to determine the probabilities of default and re calculated the probabilities based on the Fund past and current credit related financial information. • For loss given default we traced the expected future cash flows for a sample of Fund's customers, to collateral information produced from internal and external sources. We also tested assumptions on the timing of the cash flows based on the Fund's empirical evidence. • For forward looking assumptions used in the model, we corroborated the assumptions usin publicly available information.

wc

2. Fair value of investment properties	
As disclosed in Note 8, the Fund holds investment properties valued at K1.3 billion. For residential properties, the direct comparative method was used, which determines market values by referencing prices paid for similar properties in a free and open market within the submarket. For commercial properties, the income approach was utilised, which values a property based on the anticipated future cash flows it is expected to generate. With respect to the market approach, the results of recent transactions for similar properties are considered taking into account the condition of the property and the transaction date. For the income approach, the value is based on expected cash flows from rentals of similar properties, adjusted for the rate of return and considering changes in the economic environment. We therefore focused on the reasonableness and appropriateness of the valuation technique applied in estimating the value of the properties.	With the assistance of our independent valuation expert, we performed the following procedures: • assessed reasonableness of the assumptions utilised and consistency in the application of judgements; • reviewed the methodologies applied by management for consistency with the requirements of IFRS 13: Fair value; • tested mathematical accuracy of the; and • computation and reconciled the results of the valuation performed by the expert to the financial statements. In addition, we assessed the independence, objectivity and competence of the management's valuation expert.

Other information

The Trustees are responsible for the other information. The other information comprises the Funds' Annual Report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

pwc

Report on the audit of the annual financial statements (continued)

Responsibilities of the Trustees for the financial statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the requirements of the Public Service Pensions (PSP) Act No. 35 of 1996 of the Laws of Zambia, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from materia misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are 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 Trustees either intend to liquidate the Funds or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for overseeing the Fund's financial reporting process

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report on the audit of the annual financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the Trustees 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.

From the matters communicated with the Trustees, we determine those matters that were of most significance in the audit of the annual financial statements of the current period 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.

Report on other legal and regulatory requirements

The Public Service Pensions Act

In accordance with the requirements of the Public Service Pensions (PSP) Act No. 35 of 1996 CAP 260 of the Laws of Zambia, we confirm that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In arriving at our opinion, we considered the following matters:

i. Whether or not the provisions of the PSP Act have been complied with;

ii. Whether or not all the information and explanations which were required have been obtained

iii. Whether according to the information and explanations given and as shown in the books relating to the Fund. The financial statements for the year concerned are properly drawn up so as to exhibit a true and correct view of the state of the Fund:

iv. And as whether the expenses of the Board incurred in the year concerned in connection with or incidental to management and administration of the Fund are excessive.

In respect of the foregoing, we have the following matter to report;

In the current year, investments in Government Securities and Investment property account for 50% and 31% of total net assets, respectively. These percentages exceed the 20% threshold prescribed by the Public Service Pensions (PSP) Act No. 35 of 1996 CAP 260 of the Laws of Zambia

Pricewaterhousecoopers

PricewaterhouseCoopers
Chartered Accountants
Lusaka

15 July 2024

A Chibuye

Andrew Chibuye
Practicing Certificate Number: AUD/F002378
Partner signing on behalf of the firm.

Statement of changes in net assets available for benefits

	Notes	2023 K	2022 K
Income from dealings with members			
Employee Contributions		**663,275,222**	594,963,583
Employer Contributions		**646,730,900**	565,094,438
Financing Gap	22	**1,796,719,581**	1,739,885,448
Governments grants	21	**601,280,030**	327,157,031
Other income	23	**8,716,811**	238,793,613
		3,716,722,544	3,465,894,114
Outgoings from dealings with members			
Benefits payable to retiring members	4	**(3,698,973,036)**	(3,632,891,740)
Net withdrawals/additions from dealings with members		**17,749,508**	(166,997,625)
Returns on investments			
Investment income	5	**754,800,411**	573,484,655
Foreign Exchange gains	10	**49,206,077**	7,170,611
Change in FV of investment property	8	-	(169,381,297)
Change in FV of equity investments	10	**242,381,909**	78,647,731
Impairment on non Performing Home loans	9(ii)	**2,715,470**	8,622,210
Impairment provision on microfinance loans	9(ii)	**(12,865,925)**	61,796,424
Impairment provision on Staff loans	9(ii)	**2,033,287**	1,254,999
Gain on disposal		**278,468**	1,043
Net returns on investments		**1,038,549,699**	561,596,376
Administrative expenses	7	**(154,469,204)**	(208,810,362)
Withholding Tax		**(54,461,099)**	(42,309,069)
Finance cost	24	**(386,234,094)**	(61,434,984)
		(595,164,397)	(312,554,415)
Increase in net assets for the year		**461,134,809**	82,044,335
Net assets available for benefits at start of the year excluding PV of actuarial benefits		**3,692,994,662**	3,610,950,327
Net assets available for benefits at end of the year		**4,154,129,471**	3,692,994,662

The notes on pages 16 to 57 form an integral part of these annual financial statements.

Statement of net assets available for benefits

	Notes	2023 K	2022 K
Assets			
Cash and bank	13	**574,657,363**	459,681,573
Fixed deposit	10	**613,426,401**	354,367,170
Government securities	10	**2,069,339,088**	1,716,419,507
Equity Investment at fair value	10	**685,586,984**	443,205,074
Contributions due	11	**33,775,607**	9,289,379
Other receivables and accrued income	12	**53,581,218**	90,576,995
Microfinance loans	9	**640,599,481**	553,869,137
Home loan scheme	9	**171,681,772**	203,415,891
Staff loans	9	**31,582,712**	25,875,993
Investment properties at fair value	8	**1,295,820,431**	1,283,231,792
Work-In-Progress	6(c)	**391,671,504**	391,671,504
Intangible Assets	6(b)	**335,515**	864,953
Property plant and equipment	6(a)	**21,682,036**	13,153,040
Total assets		**6,583,740,112**	5,545,622,008
Liabilities			
Benefits payables	14	**(1,417,305,556)**	(1,050,571,660)
Other payables and accrued expenses	15	**(36,881,435)**	(38,494,451)
Staff pension liability	16	**(14,832,447)**	(10,495,947)
Long Term Loan	24	**(960,591,203)**	(753,065,288)
Total liabilities		**(2,429,610,641)**	(1,852,627,346)
Net assets available for benefits		**4,154,129,471**	3,692,994,662

The annual financial statements on pages 13 to 57 were approved for issue by the Trustees on....28...June..........2024 and signed on their behalf by:

Board Chairman

Trustee

The notes on pages 16 to 57 form an integral part of these annual financial statements.

Statement of cash flows

	Notes	2023 K	2022 K
Cashflows from operating activities			
Contributions received		**1,285,519,893**	2,038,159,012
Government funding and financing gap received		**2,397,999,611**	2,067,042,479
Other income		**45,712,588**	203,367,044
Benefits paid to retiring members		**(3,332,239,140)**	(3,530,503,590)
Administrative expenses		**(201,978,364)**	(258,451,933)
Net cash from operations of the Fund		**195,014,588**	519,613,012
Cashflow from Investing activities			
Investment income received		**778,263,873**	564,160,871
Purchase of property and equipment	6(a,b)	**(12,228,012)**	(5,267,642)
Work in progress	6(c)	**-**	(145,761,952)
Staff loans issued		**(20,878,643)**	(58,162,548)
Staff loans repayments		**15,171,924**	40,417,486
Home loans issued		**(27,052,542)**	(20,137,238)
Home loan scheme repayments received		**47,556,574**	29,872,653
Purchase of fixed term deposits	10	**(507,070,068)**	(292,205,796)
Purchase of Government bonds	10	**(417,934,936)**	(613,679,796)
Microfin loans issued		**(191,940,794)**	(218,815,453)
Microfin loans repayments		**97,093,282**	66,280,750
Proceeds from maturity & disposal of deposits	10	**333,598,628**	204,962,540
Purchase of Investment Property		**(12,588,639)**	-
Proceeds from disposal		**278,468**	1,043
Net cash from investing activities		**82,269,115**	(448,335,081)
Cashflow from Financing Activities			
Long Term Loan	24	**(178,708,179)**	(187,312,913)
Net increase in cash and cash equivalents		**98,575,524**	(116,034,983)
Cash and cash equivalents at start of the year		**459,681,573**	568,545,945
Net increase in Cash and cash equivalents		**98,575,524**	(116,034,983)
Exchange gains on cash and cash equivalents	10	**16,400,266**	7,170,611
Cash and cash equivalents at end of the year	13	**574,657,363**	459,681,573

The notes on pages 16 to 57 form an integral part of these annual financial statements.

Notes to the Annual Financial Statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These policies have been consistently applied and where applicable, the prior year have been reclassified to align with fund operations.

(a) Statement of compliance

The annual financial statements are prepared in compliance with IFRS Accounting Standards ("IFRS") and interpretations issued by the IFRS interpretation Committee (IFRSIC) applicable to entities reporting under IFRS Accounting Standards, and the Public Service Pensions Act of 1996. The annual financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

(b) Basis of preparation

The annual financial statements summarize the transactions of the Fund and deal with the net assets at the disposal of trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the statement by the actuary and these annual financial statements should be read in conjunction with it.

The annual financial statements are presented in the functional currency, Zambian Kwacha. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

The annual financial statements have been prepared in the historical cost basis except for investment properties and financial instruments that are measured at fair value amounts at the end of each reporting period as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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, regardless of whether that price is directly observable or estimated using another valuation technique.

(c) Solvency of the Fund

Based on the latest actuarial valuation that was completed as at 31 December 2023 by Gralix Actuarial Consulting, an independent firm of actuaries, the financial position of the Fund has improved over the three year period since the previous actuarial valuation performed as of 31 December 2020. The valuation revealed an actuarial deficit of K43.88 billion as at 31 December 2023. The next valuation is due on 31 December 2026.

The actuarial present value of promised retirement benefits is as follows:

	2023 K	202 I
Accrued liabilities		
Value of accrued liabilities as at 31 December	48,030,000,000	51,958,000,00
Assets		
Value placed on Fund assets as at 31 December	(4,154,000,000)	(1,538,000,00C
Actuarial shortfall		
Excess of accrued liabilities over assets	43,876,000,000	50,420,00000

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(c) Solvency of the Fund (continued)

This deficit indicates that the Fund is technically insolvent. The actuaries recommended the following:

i. That the recommended contribution rate for the Fund to be at 100% funding level is 24.62%. Alternatively, the employer can make capital injection.
ii. That the Fund apply late payment interest on the Fund's outstanding contributions should the remission of contributions be later than the stipulated timeframe.
iii. Considering that the Fund is quite mature and requires to be liquid to pay benefits when they fall due, the Fund should consider investing offshore to target foreign exchange gains, especially given the current movements in foreign exchange market.
iv. The Fund increase the maximum child pensioner's age to 21, subject to the child undergoing tertiary education and not married. This will ensure that the beneficiaries of former members or pensioners earn decent comfort after the member is deceased.
v. That the Fund considers reviewing the Death in Service benefits payable to offer more protection to members who may die in-service especially after having worked for a short period.
vi. That the Fund considers purchasing group life assurance to pay a Death in service benefit that offers more protection to the surviving dependents of the members.
vii. That the Fund considers revising the commutation factors as they are extremely generous and result in worsening the funding level of the scheme.

To address the actuarial deficit, the employer of the scheme(government) makes an allocation in the National Budget every year to Fund the actuarial deficit. The actuarial recommendations are proposed to be implemented during the pension reforms.

Notes to the Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(d) Changes in accounting policy and disclosures

(i) New standards, amendments, interpretations adopted by the Fund in the year.

A number of new or amended standards became applicable for the current reporting period and the Fund had to change its accounting policies as a result of adopting the following standards.

Number	Effective date	Executive summary
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023 (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

(ii) New standards and interpretations not yet early adopted and not effective.

Certain new accounting standards and interpretations not yet effective and not early adopted have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Fund. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions. These standards are not expected to have a material impact on the annual financial statements.

Standard	Effective date	Summary of standard
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis

Notes to the Financial Statements (continued)

2. Summary of significant accounting policies (continued)

(e) Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet early adopted and not effective (continued)

Standard	Effective date	Summary of standard
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

e) Foreign currency translation

Functional and presentation currency translation
Items included in the annual financial statements are measured using the currency of the primary economic environment in which the Fund operates (the functional currency). The annual financial statements are presented in the Zambian kwacha which is the functional currency.

Transactions and balances
Transactions in foreign currencies during the year are converted into Zambia kwacha at rates prevailing at transaction dates. Monetary assets and liabilities are converted using the exchange rate as at year end. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of changes in net assets available for benefits.

(f) Contributions receivable

Current service and other contributions from the members and employers are accounted for in the period in which they fall due. Members and the employer each contribute at the rate of 7.25% of the members' pensionable emoluments. Unless paid within one month from the date when they become payable, any contributions which are deferred are paid with interest at the ruling Central Bank of Zambia policy rate.

(g) Government early retirement Funding

Government early retirement Funding and financing gap Funds are recognized as income in the period in which it is received. Parliament appropriates a grant to the Public Service Pensions Fund to cater for benefits resulting from premature retirements and death of serving members.

(h) Benefits payables

Benefits payables comprise the entitlements of members who ceased employment prior to the year end but have not yet been paid by that date. Benefits payables are recognized as liabilities in the period in which they fall due upon retirement, death or dismissal of a contributing member. The computation of the benefit payable is stipulated by the Public Service Pension Act of 1996 which will consider the contributions made to the Fund, number of years.

(i) Income from investments

Interest income is recognized for all interest bearing instruments on an accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

Dividends are recognized as income in the period in which the right to receive payment is established.

Rental income from operating leases is recognized on a straight line basis over the lease term.

(j) Investment properties

Properties such as leasehold land and buildings and parts of buildings that are held for long-term rental yields or for capital appreciation or both are classified as investment properties (including property under construction for such purposes).

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(j) Investment properties (continued)

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the Fund and the cost can be reliably measured. This is usually the day when all risks are transferred.

Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Fund uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the annual financial statements.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Changes in fair values are recognized in the statement of changes in net assets available for benefit in the year in which they arise. Investment properties are derecognized when they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from the derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of net assets available for benefits in the period in which the property is derecognized.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(k) Property and equipment

All categories of property and equipment are initially recorded at cost and subsequently measured at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of changes in net assets available for benefits during the financial period in which they are incurred.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life as follows:

• Leasehold buildings – shorter of	50 years or lease period
• Fixtures and fittings	10 years
• Office Equipment	5 years
• Motor vehicles	5 years
• Software	5 years

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining the decrease or increase in net assets for the year.

Work in progress are stated at cost. Such assets are initially shown as capital work in progress and transferred to the relevant class of assets when commissioned. Cost includes professional fees and, for qualifying assets, borrowing cost for long-term construction projects if the recognition criteria are met are capitalized in accordance with the Fund's accounting policy.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(l) Intangible Assets

Costs associated with developing or maintaining computer software programmes and the acquisition of software license are generally recognized as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Fund and have a probable future economic benefit beyond one year, are recognized as intangible assets. Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses from the date that the assets are available for use.

Expenditure subsequently incurred on computer software is capitalized, only amortisation is recognized in operating expenses on a straight line basis at rates appropriate to the expected lives of the assets from the date that the asset is available for use.

Amortisation methods, useful lives and residual values are reviewed at each financial year end adjusted, if necessary useful life are tested annually for impairment and additionally when an indicator of impairment exists. The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible asset.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less from the acquisition date. The carrying amount of all fixed deposits and cash and cash equivalents approximates fair value.

(n) Provision for employee retirement benefits

The Fund has a self-administered defined benefit scheme for benefits accrued prior to 31 December 2014 and a defined contributions scheme for benefits accrued from 1 January 2015. For the defined contribution scheme, contributions are made to a separate administered fund, managed by an independent administrator and fund manager. The defined contribution scheme is funded through payments from employees and the employer at 5% and 10% of basic salary respectively. The costs relating to the scheme are charged to the statement of net assets available for benefits.

The Fund also contributes to the Government of Zambia operated social security scheme ,the National Pension Scheme Authority ("NAPSA) for its eligible employees as provided by the law. Membership is compulsory and monthly contributions by both the employer and the employee are made. The only obligation of the Board with regard to the Government scheme is to make the specified contributions and the employer contributions are charged to the statement of net assets available for benefits in the year it arises.

With regard to the Self-administered defined benefit scheme, the cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Further information is set out in note 16. Re-measurements, comprising of actuarial gains and losses, and the return on plan assets (excluding net interest) are recognized immediately in the Statement of net assets available for benefits with a corresponding debit or credit through Statement of changes in net assets available for benefits in the period in which they occur.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

(o) Provision for employee retirement benefits (continued)

Past service costs are recognized in Statement of changes in net assets available for benefits on the earlier of:

- The date of the plan amendment.
- The date that the Company recognizes restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Fund recognizes the following changes in the net defined benefit obligation under administration expenses in the Statement of changes in net assets available for benefits: Service costs comprising current service and past service costs on curtailments and non-routine settlements, net interest expense or income.

(p) Financial Instruments

IFRS 9: Financial Instruments carried at amortized cost

From 1 January 2018, the Fund has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization 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.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Fund revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

IFRS 9: Financial Instruments carried at amortized cost (continued)

Interest income
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement
Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Fund commits to purchase or sell the asset.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

(i) Classification and subsequent measurement

Classification and subsequent measurement of debt instruments depend on:

I. the Fund's business model for managing the asset, and
II. the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its loans and advances as financial assets carried at Amortized cost: This is because these assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

IFRS 9: Financial Instruments carried at amortized cost (continued)

(ii) Impairment

The Fund assesses on a forward-looking basis the expected credit losses ('ECL') associated with its loans and advances assets carried at amortized cost. The Fund recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

(iii) Modification of loans

The Fund sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Fund assesses whether or not the new terms are substantially different to the original terms. The Fund does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Fund derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Fund also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Fund recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Notes to the Annual Financial Statements (continued)

1. Summary of significant accounting policies (continued)

IFRS 9: Financial Instruments carried at amortized cost (continued)

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

Financial liabilities

I. Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortized cost.

II. Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Fund and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Financial Assets at Fair Value

Classification and measurement

For financial assets other than loans and advances, the Fund carries its other financial assets like equity instruments, government securities fixed deposits and investment properties at fair value through profit or loss.

The fair values of financial instruments where no active market exists or where quoted prices are otherwise not available are determined by valuation techniques. In these cases, fair values are estimated from observable data in respect of similar financial instruments or using models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Note 3'd' contains details of the sensitivity of the main fair value estimates to the inputs into the model.

Notes to the Annual Financial Statements (continued)

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In particular, critical estimates are made by the Trustees in determining the fair value of investments that are not traded in an active market and investment property.

(a) Fair value estimation of financial assets at fair value through profit or loss.

The fair values of financial instruments where no active market exists where quoted prices are otherwise not available are determined by valuation techniques. In these cases, fair values are estimated from observable data in respect of similar financial instruments or using models. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Refer to note 3(d).

(b) Fair value of investment properties

Management estimates the fair value of investment properties by using the direct market comparison. Were the market comparable property transaction prices are higher or lower by 10% per annum from management's estimates, the carrying amount of investment properties would be an estimated **K1.30** billion (2022: **K1.28** billion) higher/lower. Refer to note 3(d) for the key assumptions used in the estimation of the fair values.

(c) Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation. The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates. The key assumptions used to determine the actuarial gains or losses are provided in note 16.

Actuarial valuation of the Fund

As per the PSPF Act section 24, the Fund is required to appoint an actuary and conduct actuarial valuation of the Fund at intervals of every three years. Various assumptions and estimates are applied in the valuation of the Fund which could impact the disclosures in the annual financial statements as explained in note 18.

Notes to the Annual Financial Statements

2. Critical accounting estimates and judgements (continued)

(d) Impairment of financial assets

The Fund assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money.
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Funds' policies for determining if there has been a significant increase in credit risk are set out in the subsequent notes.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Notes to the Annual Financial Statements

3. Financial risk management objectives and policies

The Fund's activities expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in foreign currency exchange rates, interest rates, and market prices of equities. The Funds' overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance, but the scheme does not hedge any risks. Risk management is carried out by investment manager under policies and guidelines approved by the Trustees.

(a) Market risk

(i) Foreign exchange risk
The scheme is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated loans and offshore fixed and time deposits denominated in US dollars and British Pounds. Currency exposure arising from assets and liabilities denominated in foreign currencies is managed by matching with the fixed and time deposits held offshore.

At 31 December 2023, if the Kwacha had weakened/strengthened by 42.5% against the US dollar with all other variables held constant, the decrease/increase in net assets available for benefits for the year would have been K403.52 million (2022: K466.40 million) higher/lower.

At 31 December 2023, if the Kwacha had weakened/strengthened by 42.5% against the British pound with all other variables held constant, the decrease/increase in net assets available for benefits for the year would have been K28.07 million (2022: K32.71 million) lower/higher.

There were no changes to the foreign market risk policies and processes during the year. The Kwacha equivalent of amounts translated from foreign currencies at year end is as follows:

		2023			2022		
	Currency	Base amount	Exchange rate	ZMW	Base amount	Exchange rate	ZMW
Fixed term deposit							
Crown Agents Investments	GBP	2,010,100	32.71	65,750,383	1,973,089	21.98	43,368,496
Bank							
Crown Agents	GBP	9,396	32.71	307,328	5,417	21.98	119,066
Indo Zambia	USD	36,105	25.70	927,904	16,761	18.25	305,888
Stanbic Bank	USD	396,802	25.70	10,197,821	957,973	18.25	17,483,007
Standard Bank	ZAR	114,131	1.39	158,642	114,131	1.085	123,832
Long Term Loan							
International Commercial Bank of China	USD	(37,377,090)	25.70	(960,591,203)	(39,935,070)	18.25	(728,815,028)
				(883,249,125)			(667,414,739)

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk arises from the effects of the fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and future cash flows. The Fund holds investments in fixed rate government securities and fixed deposits which expose it to fair value interest rate risk. The PSPF Act guides the Fund on the appropriate balance of the portfolio between variable and fixed rate interest investments.

At 31 December 2023, if the interest rate had fluctuated by 10% with all other variables held constant on government securities, and fixed deposits, the decrease/increase in net assets available for benefits for the year would have been K52.4 million (2022: K36.9 million) lower/higher.

Additionally, the loan facility acquired to fund the construction of the mall and hotel may be affected by decrease or increase in Synthetic LIBOR. If the Synthetic LIBOR fluctuated by 10% with all variables held constant on the loan, the net assets available for benefits would have been K9.95 million (2022: K4.24 million) lower/higher. With the LIBOR rate being phased out in June 2023, the Fund will transition to Synthetic LIBOR up to September 2024 with a possibility of adopting a more permanent alternative reference rate thereafter.

(iii) Other price risk

The Fund is exposed to price risk in respect of its investments in listed and unlisted shares. The exposure to price risk is managed primarily by setting limits on the percentage of net assets available for benefits that may be invested in equity, and by ensuring sufficient diversity of the investment portfolio.

As at 31 December 2023, if the prices of all equity investments had decreased/increased by 10% with all other variables held constant, the decrease/increase in net assets available for benefits for the year would have been K 68.56 million (2022: K44.32 million) lower/higher.

There were no changes to the market risk policies and processes during the year.

(b) Credit risk

Credit risk is the risk of suffering financial loss, should any of the Fund's customers, clients or market counterparties fail to fulfil their contractual obligations to the Fund. Credit risk arises from investments other than equity investments, contributions receivable, home loans, microfinance loans, staff loans, cash equivalents, and other receivables. The Fund has significant concentrations of credit risk in the contributions due from the Government which have been however guaranteed for settlement. The investment Manager assesses the credit ratings in accordance with limits set by the Trustees. The fixed deposits are held with reputable banks in Zambia.

Risk limit control and mitigation policies

Cash at bank
The Investment Manager internally assesses all banks before maintaining any cash deposits.

Government Securities, fixed term deposits
The Fund structures the levels of credit risk it undertakes by limiting the amount of risk accepted in relation to one borrower. The trustees have assessed that all investments in government securities and fixed term deposits are fully recoverable.

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

Risk limit control and mitigation policies (continued)

Rental debtors
Ordinarily no credit is offered on the letting of properties, as all the tenants are required to pay rentals three months in advance. No interest is charged on any outstanding amounts. Before accepting any new customer, the Fund uses credit vetting procedures to assess the potential customer's creditworthiness and defines credit limits by customer. Limits attributed to customers are reviewed on an ongoing basis.

Pension contribution debtors
The pension debtors arise as a result of non-remittance of employees and employers pension contributions from all ministries and the defence forces. The Fund engages the Government regularly to release the contributions within the stipulated time frame.

The risk of default is insignificant because The Government of the republic of Zambia is the guarantor of the scheme and every year a letter of comfort is provided to address the going concern of the Fund. The accumulation of pension arrears is mitigated by the provision of a budget line in the national budget. Management believes that the impact of the possible impairment on the contributions is immaterial.

The Fund has provided fully for all receivables over 120 days because past experience is such that rent receivables that are past due beyond 120 days are generally not recoverable. Rent receivable between 60 days and 120 days are provided for based on the estimated irrecoverable amounts from the letting of the properties, determined by reference to past default experience.

Loans and advances
The home loans are given to members of the scheme who have served for a minimum of five years and confirmed in the public service as permanent and pensionable. The collateral for default is mortgage itself and the members pension benefits that are paid out upon retirement or death by Public Service Pensions Fund.

The Fund uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Fund use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Definition of default

The Fund considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued

(b) Credit risk (continued)

Definition of default

- The borrower is in long-term forbearance.
- The borrower is deceased.
- The borrower is insolvent.
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower's financial difficulty.
- It is becoming probable that the borrower will enter bankruptcy.
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Fund and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Fund's expected loss calculations.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Fund expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Fund includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Fund's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Notes to the Annual Financial Statements (continued)

3. **Financial risk management objectives and policies (continued**

(b) Credit risk (continued)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed on an annual basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(b) Credit risk (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Fund's maximum exposure to credit risk on these assets.

- Microfine loan Portfolio

ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	2023 Total	2022 Total
	K	K	K	K	K	K
Credit grade						
Investment grade						
Performing Loans	578,082,549	-	-	-	578,082,549	501,455,859
Satisfactory Loans	-	39,506,323	-	-	39,506,323	38,928,846
Non Performing Loans	-	-	115,999,740	-	115,999,740	93,607,637
Gross carrying amount	**578,082,549**	**39,506,323**	**115,999,740**	-	733,588,612	**633,992,342**
Loss allowance	(13,376,102)	(16,030,280)	(63,582,749)		(92,989,131)	(80,123,205)
Carrying amount	**564,706,447**	**23,476,043**	**52,416,991**	-	640,599,481	**553,869,137**

- Home ownership loan Portfolio

ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	2023 Total	2022 Total
	K	K	K	K	K	K
Credit grade						
Investment grade						
Performing Loans	90,894,244	-	-	-	90,894,244	127,032,429
Satisfactory Loans	-	4,183,604	-	-	4,183,604	1,871,418
Non Performing Loans	-	-	93,963,484	-	93,963,484	94,587,074
Gross carrying amount	**90,894,244**	**4,183,604**	**93,963,484**	-	**189,041,332**	**223,490,921**
Loss allowance	(3,406,336)	(423,317)	(13,529,907)	-	(17,359,560)	(20,075,030)
	87,487,908	**3,760,287**	**80,433,577**	-	171,681,772	**203,415,891**

- Staff Loan Portfolio

ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	2023 Total	2022 Total
	K	K	K	K	K	K
Credit grade						
Performing Loans	32,728,597	-	-	-	32,728,597	29,055,565
Non Performing Loans	-	-	48,763	-	48,763	48,763
Gross carrying amount	**32,728,597**	-	**48,763**	-	**32,777,360**	29,104,328
Loss allowance	(1,189,765)	-	(4,884)	-	(1,194,648)	(3,227,935)
Carrying amount	**31,538,832**	-	**43,880**	-	**31,582,712**	25,876,393

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued

(c) Liquidity risk

The following table summarizes the maturity profile of the Fund's financial assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The Trustees agree with investment manager on the amount to be invested in assets that can be easily liquidated. All financial liabilities are payable within the year, the Government provides in the National budget every year to clear outstanding pension payments." Staff pension obligations are payable when the employee satisfies the conditions of retirement. There were no changes to the liquidity risk policies and processes during the year.

The table below summarizes the maturity profile of the Fund's financial assets and liabilities based on contractual undiscounted payments.

2023	**Within 12 months** K	**Above one year** K	**No fixed maturity** K	**Total** K
Assets				
Equity	-	-	**685,586,983**	**685,586,983**
Fixed term deposits	433,739,102	199,977,370	-	**633,716,472**
Government Securities	54,254,600	2,875,919,910	-	**2,930,174,510**
Other debtors	**52,734,873**	-	-	**52,734,873**
Microfinance loans	104,154,665	811,839,492	-	**915,994,157**
Home Loans	49,367,833	159,598,853	-	**208,966,686**
Staff loans	2,007,013	32,534,007	-	**34,541,020**
Cash and bank	**574,657,363**	-	-	**574,657,363**
Total financial assets	**1,270,915,449**	**4,079,869,632**	**685,586,983**	**6,036,372,064**
Liabilities				
Benefits payable	1,417,305,556	-	-	1,417,305,556
Other payables	36,881,435	-	-	36,881,435
Long Term Liabilities	-	1,006,662,525	-	**1,006,662,525**
Total financial liabilities	**1,454,186,991**	**1,006,662,525**	-	**2,460,849,516**
Net asset/(liability)	**(183,271,542)**	**3,073,207,107**	**685,586,983**	**3,575,522,548**

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

2022	Within 12 months	Above one year	No fixed maturity	Total
	K	K	K	K
Assets				
Equity	-	-	443,205,074	443,205,074
Fixed term deposits	322,835,254	44,157,722	-	366,992,976
Government Securities	198,147,673	2,162,185,510	-	2,360,333,183
Other debtors	350,300,439	-	-	350,300,439
MicroFinance loans	189,738,629	521,928,508	-	711,667,137
Home Loans	13,749,677	214,946,976	-	228,696,653
Staff loans	1,217,201	24,659,192	-	25,876,393
Cash and bank	459,681,571	-	-	459,681,571
Total financial assets	**1,535,670,444**	**2,967,877,908**	443,205,074	4,946,753,426
Liabilities				
Benefits payable	1,050,571,660	-	-	1,050,571,660
Other payables	38,494,451	-	-	38,494,451
Long Term Liabilities	-	924,808,836	-	924,808,836
Total financial liabilities	1,089,066,111	924,808,836	-	2,013,874,947
Net asset	**446,604,333**	**2,043,069,072**	443,205,074	2,932,878,479

The maturity analysis of the financial assets and liabilities are undiscounted. The maturity analysis above does not include the present value of the obligation which is an off-balance sheet liability as it is not established when the liability would be settled.

(d) Fair values of financial assets and liabilities

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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded equity) are based on listed market prices at the close of trading on the reporting date.

Government securities, equity investments and fixed deposits are measured at fair value. Home loans, Microfin loans and staff loans are measured at amortized cost and adjusted for ECL allowance as per IFRS 9.

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(d) Fair values of financial assets and liabilities (continued)

The following table presents the Funds' financial assets that are measured at fair value or for which fair value is disclosed at 31 December 2023:

Financial instruments by level

	Level 1	**Level 2**	**Level 3**
31 December 2023	**K**	**K**	**K**
Assets			
Government securities	-	**2,069,339,088**	-
Equity investments	**685,586,983**	-	-
Fixed deposits	-	-	**613,426,401**
	685,586,983	**2,069,339,088**	**613,426,401**

	Level 1	Level 2	Level 3
31 December 2022	K	K	K
Assets			
Government securities	-	**1,716,419,507**	-
Equity investments	**443,205,074**	-	-
Fixed deposits	-	-	**354,367,170**
	443,205,074	**1,716,419,507**	**354,367,170**

The different level of fair value measurement hierarchy is described as follows:

- Quoted prices(unadjusted) in active markets for identical assets (level 1).
- Inputs other than quoted shares included in level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets that are not based on observable market data (that is, unobservable data) (level 3).

All fair value measurements disclosed are recurring fair value measurements, required for the purposes of measuring the Fund's assets at fair value. During the year no transfers were made amongst the different levels.

Level 2 valuation

These include inputs other than quoted shares included in level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. These take into account valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. The input used in the valuation of these instruments is based on market rates for comparable instruments based on similar quoted rates provided to the Fund by similar institutions or, in the case of government bonds, latest published Government auctions.

Notes to the Annual Financial Statements (continued)

3. Financial risk management objectives and policies (continued)

(d) Fair Value of Financial Assets and Liabilities (continued)

Level 3 valuation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Level 3 valuations are reviewed monthly by the Fund's investment team who report to the Board of Trustees. Due to the nature of the financial assets in this category adjustments are only made annually. The Fund's investment team considers the appropriateness of the valuation model inputs, as well as the valuation results using various valuation methods and techniques generally recognized as standard within the industry.

Offsetting financial assets

Financial assets and liabilities are only off-set and the net amount reported in the statement of net assets available for benefit where the Fund currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(e) Capital risk management

The capital of the Fund is represented by the net assets available for benefits. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide benefits for members and maintain a strong capital base to support the development of the investment activities of the Fund.

Notes to the Annual Financial Statements (continued)

4. Benefits expense

	2023 K	2022 K
Pensions	**943,532,468**	790,116,202
Commutation and lump sum retirement benefits	**1,817,908,546**	1,735,804,850
Lump sum payments on early retirement and death of members	**937,532,022**	1,106,970,688
	3,698,973,036	3,632,891,740

5. Investment income

	2023 K	2022 K
Rents income	**41,011,394**	14,845,457
Less: Operating expenses on investment properties	**(16,490,100)**	(4,784,422)
Net rental income	**24,521,294**	10,061,035
Dividends receivable		
- Listed shares	**58,773,318**	23,928,341
Interest receivable		
- Micro Finance interest income	**131,962,298**	141,257,734
- Micro Finance handling fees	**1,828,113**	1,531,138
- Micro Finance insurance fees	**122,166**	451,030
- Fixed income securities		
Government Bonds	**453,106,940**	313,761,701
Fixed Deposits	**69,195,959**	66,383,771
Interest on Corporate Bonds	**1,946,948**	890,490
- Members' homeownership scheme	**17,528,080**	25,280,667
Crown Agents investment revaluation gain/(loss)	**2,055,963**	(12,452,133)
Homeownership Scheme - Fair Value adjustment	**(6,240,668)**	2,390,881
	754,800,411	573,484,655

Interest income is recognized in the statement of changes in net assets available for benefits for all interest-bearing financial instruments using the effective interest method.

Notes to the Annual Financial Statements (continued)

6. (a) Property and equipment

	Leasehold Buildings	Office Equipment	Motor Vehicles	Furniture and fittings	Total
At 1 January 2022					
Opening NBV	2,017,726	1,692,782	6,084,050	1,572,978	11,367,535
Additions	-	2,489,098	1,119,888	1,241,056	4,850,042
Disposal	-	(20,779)	-	-	(20,779)
Depreciation on disposal	-	17,847	-	-	17,847
Transferred Depreciation charge	-	3,251	-	(3,251)	-
Depreciation charge	(65,979)	(901,124)	(1,759,728)	(334,774.00)	(3,061,605)
31 December 2022	1,951,747	3,281,075	5,444,209	2,476,009	13,153,040
Cost	3,370,000	14,470,217	12,279,248	7,480,990	37,600,454
Accumulated depreciation	(1,418,253)	(11,189,142)	(6,835,039)	(5,004,981)	(24,447,414)
31 December 2022	1,951,747	3,281,075	5,444,209	2,476,009	13,153,040
At 1 January 2023					
Opening NBV	1,951,747	3,281,075	5,444,209	2,476,009	13,153,040
Additions	-	921,914	9,743,469	1,562,629	12,228,012
Disposal	-	-	(746,614)	-	(746,614)
Depreciation on disposal	-	-	746,614	-	746,614
Transferred Depreciation charge	-	3,211	-	(3,211)	-
Depreciation charge	(65,979)	(1,061,082)	(2,138,568)	(433,387)	(3,699,016)
31 December 2023	1,885,768	3,145,118	13,049,110	3,602,040	21,682,036
Cost	3,370,000	15,392,131	21,276,102	9,043,619	49,081,852
Accumulated depreciation	(1,484,232)	(12,247,013)	(8,226,992)	(5,441,579)	(27,399,816)
31 December 2023	1,885,768	3,145,118	13,049,110	3,602,040	21,682,036

6 (b) Intangible Assets

	2023	2022
	K	K
Opening Net Book Value	**864,953**	559,190
Additions	**-**	417,600
Transfer to Expense	**(417,600)**	-
Less Depreciation	**(111,838)**	(111,837)
Closing Net Book Value	**335,515**	864,953

Notes to the Annual Financial Statements (continued)

6 (c) Capital Work in Progress

	2023 K	2022 K
As at 1 January	**391,671,504**	1,445,095,893
Additions	**-**	145,761,952
Transfers out to Investment Property	**-**	(1,199,186,341)
At 31 December	**391,671,504**	391,671,504

This represent construction works completed at Alick Nkhata Road property and will be reclassified to investment property upon full completion. The mall and office block portion of the project had been completed and commissioned in December 2023 and were transferred to investment property measured at fair value.
The Industrial Commercial Bank of China (ICBC) had provided a line of credit of USD 61 million for the construction of the Alick Nkhata Road property. The loan bears interest at 6 months Synthetic LIBOR plus 300 basis points which is payable semi-annually. The interest rate as at 31 December 2023 stood at 5.92% (2022: 2.16% per annum). With the LIBOR rate being phased out in June 2023, the Fund will transition to Synthetic LIBOR up to September 2024 with a possibility of adopting a more permanent alternative reference rate thereafter.

7. Administrative expenses

The increase in net assets for the year is arrived at after charging the following items:

	2023 K	2022 K
Employee benefit expenses	**108,552,104**	165,942,839
Bank charges	**3,371,545**	3,365,218
Communication expenses	**2,037,405**	1,906,584
Decentralization expense	**4,999,675**	3,429,302
Depreciation on property plant and equipment	**3,810,854**	3,173,443
Audit fees	**1,740,180**	241,075
Trustees fees	**1,092,400**	324,000
Trustees allowances	**3,049,622**	1,546,515
Legal and professional fees	**2,469,493**	1,484,860
Repairs and maintenance	**3,045,331**	8,948,597
Stationery	**757,418**	1,126,169
Other administration expenses	**19,543,177**	17,321,760
	154,469,204	208,810,362
Employee benefit expenses:		
- Salaries	**55,931,742**	61,303,462
- Redundancies and Other staff costs	**34,911,527**	91,072,556
- Staff inhouse pension costs	**645,019**	322,062
- staff mark to market	**12,727,316**	11,091,255
- staff pension movement (Note 16)	**4,336,500**	2,153,504
	108,552,104	165,942,839

Notes to the Annual Financial Statements (continued)

8. Investment properties

	2023	2022
	K	K
At the start of the year	**1,283,231,792**	253,426,748
Fair value (loss)/gains	**-**	(169,381,297)
Additions	**12,588,639**	
Reallocation from CWIP	**-**	1,199,186,341
At the end of the year	**1,295,820,431**	1,283,231,792

The Funds' investment properties were valued at 31 December 2023 by Liberty Property Consultants who are independent and professionally qualified valuers, have recent experience in the location category of the respective investment property.

Basis of valuation

The Funds' properties are valued individually, and valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended. The valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, as recognized by the Surveyors Institute of Zambia, Valuation Chapter.

Method of valuation

The method of valuation used for commercial properties and residential properties were the investment income method and market comparison method respectively.

Description of valuation techniques used and key inputs to valuation on investment properties:

Property	**Valuation Technique**	**Significant unobservable inputs**
Residential property	Direct comparison	Comparable properties transacted prices
Commercial property	Investment Income	Cashflows generated by the property
Undeveloped land	Direct comparison	Comparable properties transacted prices

Quantitative information of significant unobservable inputs – Level 3

Property	**Valuation Technique**	**Significant inputs**	**2023 Range**	2022 Range
Residential Property	Direct comparison	Price per month	**2000 – 15,000**	2000 – 15,000
Commercial Property	Direct comparison	Price per sqm	**300 - 875**	300 - 875
Undeveloped	Direct comparison	Price per sqm	**8,000,000**	8,000,000

Notes to the Annual Financial Statements (continued)

8. Investment properties (continued)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 of the hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the Fund's portfolios of investment property comprise comparable properties transacted prices.

Significant increases/(decreases) in the comparable properties transacted prices would result in a significant higher/(lower) fair value measurement as highlighted on note 2(b).

The Fund does not lease out its investment property under finance leases, but under operating leases. The leases are for terms of one year.

Below is the breakdown of the income and expenses attributable to the investment properties:

	2023	2022
	K	K
Rental Income	**41,011,394**	14,845,457
Less: Operating expenses	**(17,488,572)**	(10,945,729)
Net rental income	**23,522,822**	3,899,728

All operating expenses relate to investment property that generated rental income during the year.

9. Loans and advances to customers and staff

	2023			2022		
	Gross Carrying Amount	**ECL Allowance**	**Carrying Amount**	Gross Carrying Amount	Impairment Allowance	Carrying Amount
	K	**K**	**K**	K	K	K
Microfin Loans	**733,588,612**	**(92,989,131)**	**640,599,481**	633,992,342	(80,123,205)	553,869,137
Home Ownership Loans	**189,041,332**	**(17,359,560)**	**171,681,772**	223,490,921	(20,075,030)	203,415,891
Staff Loans	**32,777,360**	**(1,194,648)**	**31,582,712**	29,103,928	(3,227,935)	25,875,993
	955,407,304	**(111,543,339)**	**843,863,965**	886,587,191	(103,426,170)	783,161,021

				2023	2022
	Microfin	Home ownership	Staff	**Total**	
	K	K	K	**K**	K
Current	104,154,665	49,367,833	2,007,013	**155,529,511**	204,192,931
Non-current	536,444,816	122,313,939	29,575,699	**688,334,454**	578,968,090
	640,599,481	**171,681,772**	**31,582,712**	**843,863,965**	783,161,021

Notes to the Annual Financial Statements (continued)

9. Loans and advances to customers and staff (continued)

(i) Gross carrying amount-Portfolio reconciliation

The following table further explains changes in the gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

2023 Loan Carrying Amounts

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	K	K	K	K
Gross carrying amount as at 1 January 2023	**657,543,452**	**40,800,264**	**188,243,475**	**886,587,191**
Transfers:				
Transfer to stage 1	56,091,944	(31,380,552)	(24,711,392)	-
Transfer to stage 2	(16,707,625)	17,901,375	(1,193,750)	-
Transfer to stage 3	(24,986,579)	(6,096,662)	31,083,241	-
New financial assets originated or purchased	147,913,052	21,273,911	23,234,541	**192,421,504**
Modification and other movements of contractual cash flows of financial assets	(44,497,461)	(48,011,072)	(31,092,858)	(123,601,391)
Gross carrying amount as at 31 December 2023	**775,356,783**	**(5,512,736)**	**185,563,257**	**955,407,304**

2022 Loan Carrying Amounts

	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
	K	K	K	K
Gross carrying amount as at 1 January 2022	**617,985,814**	**3,125,285**	**157,134,546**	**778,245,645**
Transfers:				
Transfer to stage 1	236,542,213	(24,077,367)	(212,464,846)	-
Transfer to stage 2	(9,877,455)	23,252,618	(13,375,163)	-
Transfer to stage 3	(19,020,314)	(4,464,197)	23,484,511	-
New financial assets originated or purchased	107,175,552	15,466,666	23,095,755	**145,737,973**
Modification and other movements of contractual cash flows of financial assets	(67,617,914)	22,208,313	8,013,174	(37,396,427)
Gross carrying amount as at 31 December 2022	**865,187,896**	**35,511,318**	**(14,112,023)**	**886,587,191**

Notes to the Annual Financial Statements (continued)

9. Loans and advances to customers and staff (continued)

(ii) Expected Credit Loss Recon- Portfolio Reconciliation

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

2023 Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	K	K	K	K
Loss allowance as at 1 January 2023	**60,664,424**	**5,459,053**	**37,302,694**	**103,426,171**
Movements without P&L impact				
Transfers:				
Transfer to stage 1	227,575	(107,396)	(120,179)	-
Transfer to stage 2	(447,497)	491,505	(44,008)	-
Transfer to stage 3	(18,316,426)	(4,219,003)	22,535,429	-
Total net P&L charge during the period	**(18,536,348)**	**(3,834,894)**	**22,371,242**	-
Other movements with P&L impact				
New financial assets originated or purchased	14,040,508	15,888,894	8,296,484	38,225,886
Modification and other movements of contractual cash flows of financial assets	(56,732,729)	(4,894,350)	31,518,362	(30,108,717)
(Credit)/Charge to profit and loss	(42,692,221)	10,994,544	39,814,846	8,117,169
Loss allowance as at 31 December 2023	**17,972,203**	**16,453,597**	**77,117,540**	**111,543,340**

2022 Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	K	K	K	K
Loss allowance as at 1 January 2022	**72,786,920**	**10,209,554**	**92,103,330**	**175,099,804**
Movements without P&L impact				
Transfers:				
Transfer to stage 1	23,638,940	(2,392,650)	(21,246,289)	-
Transfer to stage 2	(933,453)	2,324,437	(1,390,985)	-
Transfer to stage 3	(3,334,507)	(1,161,020)	4,495,528	-
Total net P&L charge during the period	**19,370,980**	**(1,229,233)**	**(18,141,746)**	-
Other movements with P&L impact				
New financial assets originated or purchased	8,577,808	2,933,402	6,134,116	17,645,326
Modification and other movements of contractual cash flows of financial assets	(20,700,304)	(7,683,903)	(60,934,752)	(89,318,959)
(Credit) to profit and loss	(12,122,496)	(4,750,501)	(54,800,636)	**(71,673,633)**
Loss allowance as at 31 December 2022	**60,664,424**	**5,459,053**	**37,302,694**	**103,426,171**

Notes to the Annual Financial Statements (continued)

10. Other investments

Year ended 31-Dec-23

	Value at 01-Jan-23	Purchases At cost	Interest earned	Disposals	Change in Fair value	Value at 31-Dec-23
	K	K	K	K	K	K
Financial assets at fair value through profit or loss						
Equity						
- listed shares (Zambia)	443,205,075	-	-	-	242,381,909	685,586,984
Government Securities						
Government Bonds	1,716,419,508	417,934,934	453,106,941	(518,122,295)	-	2,069,339,088
Fixed Term deposits						
Fixed term deposits (Zambia)	310,209,448	507,070,068	62,917,907	(332,521,405)	-	547,676,018
Fixed term deposits(offshore)	44,157,722	-	22,669,885	(1,077,223)		65,750,383
Total deposits	354,367,169	507,070,068	85,587,792	(333,598,628)	-	613,426,401
	2,513,991,752	**925,005,002**	**538,694,733**	**(851,720,923)**	**242,381,909**	**3,368,352,473**

Fixed term deposits are made for a period of twelve months.

Year ended 31-Dec-22

	Value at 01-Jan-22	Purchases At cost	Interest earned	Disposals	Change in Fair value	Value at 31-Dec-22
	K	K	K	K	K	K
Financial assets at fair value through profit or loss						
Equity						
- listed shares (Zambia)	364,557,344	-		-	78,647,731	443,205,075
Government Securities						
Government Bonds	1,046,050,705	613,679,796	313,761,702	(257,072,695)	-	1,716,419,508
Fixed Term deposits						
Fixed term deposits (Zambia)	204,962,540	292,205,796	18,003,652	(204,962,540)	-	310,209,448
Fixed term deposits(offshore)	57,332,563	-	(13,174,842)	-		44,157,722
Total deposits	262,295,103	292,205,796	4,828,810	(204,962,540)	-	354,367,169
	1,672,903,152	**905,885,592**	**318,590,512**	**(462,035,235)**	**78,647,731**	**2,513,991,752**

Notes to the Annual Financial Statements (continued)

10. Other investments (continued)

The Funds individual investments as a percentage of the net assets of the Fund are:

	2023 Amount K	2022 Amount K	2023 % of net Assets	2022 % of net assets
Equity investments	**685,586,983**	443,205,074	**17%**	12%
Investment property	**1,295,820,431**	1,283,231,792	**31%**	35%
Government securities	**2,069,339,088**	1,716,419,507	**50%**	46%
Fixed term deposits	**613,426,401**	354,367,170	**15%**	10%
Microfinance loans	**640,599,481**	553,869,137	**16%**	15%
Home loans Fund	**171,681,772**	203,415,891	**4%**	6%
Capital work in progress	**391,671,504**	391,671,504	**9%**	11%
Total investments	**5,868,125,661**	4,946,180,075		
Net assets	**4,154,129,471**	3,692,994,662		

Investments in Government Securities and Investment property account for 50% and 31% of total net assets, respectively. These percentages exceed the 20% threshold prescribed by the Public Service Pensions (PSP) Act No. 35 of 1996 CAP 260 of the Laws of Zambia, the board is currently engaging the Government on the amendment of the PSPF Act. The amendment will prescribe revised investment thresholds for the board to adhere to in the near future.

The Investment of the Fund at 31 December 2023 comprised the following:

	2023 K	2022 K	2023 % of assets %	2022 % of assets %	Limit %
Equity investments	**685,586,983**	443,205,074	**17%**	12%	20%
Investment property	**1,295,820,431**	1,283,231,792	**31%**	35%	20%
Government Securities	**2,069,339,088**	1,716,419,507	**50%**	46%	20%
Fixed and time deposits	**613,426,401**	354,367,170	**15%**	10%	20%
Microfinance	**640,599,481**	553,869,137	**15%**	15%	20%
Home loans	**171,681,772**	203,415,891	**4%**	6%	20%
Staff loans	**31,582,712**	25,876,393	**1%**	1%	20%

Notes to the Annual Financial Statements (continued)

10. Other investments (continued)

The Fund does not hold any single investment exceeding 5% of the respective class or type of security in one institution except for the following:

	2023 Value K	2022 Value K	2023 % of investment class	2022 % of investment class
Equity				
Lafarge Cement Plc	**36,852,776**	35,731,170	**5%**	8%
National Breweries Plc	**20,937,810**	20,937,810	**3%**	5%
ZANACO Plc shares	**113,595,300**	95,360,265	**17%**	22%
Zambia Sugar Plc	**319,549,790**	164,339,892	**47%**	37%
Puma Zambia	**61,128,805**	39,122,435	**9%**	9%
Copperbelt Energy Corp	**97,391,480**	51,923,807	**14%**	12%
Fixed deposits				
ZICB	**281,039,389**	173,039,390	46%	38%
Atlasmara	**55,530,679**	66,481,215	9%	26%
ZANACO	**35,000,000**	35,000,000	6%	10%

Foreign exchange gains/(losses) comprises the following items:

	2023 K	2022 K
Offshore fixed deposits	**21,403,157**	(828,924)
Foreign currency denominated cash and bank amounts	**16,400,266**	7,999,535
Other foreign currency denominated transactions	**11,402,654**	-
	49,206,077	7,170,611
Realised exchange gains	**16,400,266**	7,170,611
Unrealised exchange gains	**32,805,811**	-
	49,206,077	7,170,611

Notes to the Annual Financial Statements (continued)

11. Contributions due

	2023 K	2022 K
Outstanding for more than 30 days	**33,775,607**	9,289,379
	33,775,607	9,289,379

The Fund charges Interest on contributions due using the Bank of Zambia Policy Rate on the monthly outstanding amount except for the year 2016 to 2022. All contributions are expected in the month they are deducted. The interest on contributions is not recognized on an accrual's basis.

As at 31 December, the aging analysis of contributions due is, as follows:

	Total K	30-60 days K	61-90 days K	91-120 days K	>120 days K
2023	**33,775,607**	**33,775,607**	-	-	-
2022	**9,289,379**	**9,289,379**	-	-	-

12. Other receivables and accrued income

	2023 K	2022 K
Other receivables	**31,973,859**	79,744,354
Rent receivable	**21,607,359**	10,832,641
Total other receivable and accrued income	**53,581,218**	90,576,995

As at 31 December, the aging analysis of other receivables and accrued income is, as follows:

	Total K	30-60 days K	61-90 days K	91-120 days K	>120 days K
2023	**53,581,218**	**7,070,088**	-	**1,605,230**	**44,905,500**
2022	90,576,995	5,894,815	3,629,638	293,077	80,759,465

Included in other receivables and accrued income are rental debtors and dividend receivables. The rental receivables are due on the lease anniversary while the dividend receivable is due on declaration.

Notes to the Annual Financial Statements (continued)

13. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash at bank and Fixed deposits with original maturity of less than three months.

	2023	2022
	K	K
Cash at bank	**574,657,363**	459,681,573
	574,657,363	459,681,573

14. Benefits payables

	2023	2022
	K	K
Pensions	**77,069,548**	67,033,365
Commutation and lump sum retirement benefits	**991,172,939**	660,732,295
Lump sum payments on early retirement and death of members	**349,063,069**	322,806,000
	1,417,305,556	1,050,571,660

Reconciliation of the benefits payable

	2023	2022
	K	K
Balance at 1 January	**1,050,571,660**	948,183,511
Accrued during the year	**3,698,973,036**	3,632,891,739
Paid during the year	**(3,332,239,140)**	(3,530,503,590)
Balance at 31 December	**1,417,305,556**	1,050,571,660

15. Other payables and accrued expenses

	2023	2022
	K	K
Local creditors	**5,985,537**	10,111,441
Homeownership contributions	**4,141,967**	4,141,487
Accruals and provisions	**26,753,931**	24,241,523
	36,881,435	38,494,451

Notes to the Annual Financial Statements (continued)

16. Staff pension liability

The movement in the defined benefit obligation over the year was as follows:

	2023	2022
	K	K
Projected benefit obligation at the start of the year	**10,495,947**	31,342,050
Projected restated benefit obligation at the start of the year	**10,495,947**	31,342,050
Interest cost	**2,912,626**	8,148,934
Benefits paid	**-**	(22,999,607)
(Gains)/loss from change in financial and demographic assumptions	**3,694,262**	(1,910,719)
Experience losses	**(2,270,388)**	(4,084,711)
Projected benefit obligation at year end	**14,832,447**	10,495,947

The amounts recognized in the statement of changes in net assets for the year are as follows:

	2023	2022
	K	K
Interest cost	**2,912,626**	8,148,934
(Gains)/loss from change in financial and demographic assumptions	**3,694,262**	(1,910,719)
Experience losses	**(2,270,388)**	(4,084,711)
Total included in employee benefits expense (Note 7)	**4,336,500**	2,153,504

Five-year summary:	**2023**	**2022**	**2021**	**2020**	**2019**
	K	**K**	**K**	**K**	**K**
Present value of defined benefit obligation	**14,832,449**	**10,495,949**	**31,342,050**	**34,319,974**	**15,548,843**
Deficit in the plan	**14,832,449**	**10,495,949**	**31,342,050**	**34,319,974**	**15,548,843**
Total movement for the year	**4,336,500**	**(20,846,101)**	**(2,977,924)**	**18,771,131**	**(2,378,797)**

Staff pension liability is a defined benefit pension scheme which relates to PSPF's unfunded pension liability for its employees as at 31 December 2023 based on the actuarial valuation by Quantum Consultants and Actuaries. The valuation was performed using the projected unit Credit method. The plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of retirement benefits. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The plan has no Board of Trustees and the responsibility for governance of the plans lies with the Fund's management. All payments paid under the scheme are through the normal operational costs. The staff pension Fund is subject to annual actuarial revaluation. The resulting actuarial gains and losses are recognized in the statement of changes in net assets available for benefits.

Notes to the Annual Financial Statements (continued)

16 Staff pension liability (continued)

Prior to 1 January 2015, the Fund had a staff non-contributory pension scheme. The present value calculated is based on the benefits accrued based on the salary and service to 31 December 2014, and determined the liabilities as at December 2023.

The significant actuarial assumptions were as follows:

	2023	2022
Discount rate	**26.50%**	27.75%
Salary Inflation	19.20%	19.20%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

2023 Impact on defined benefit obligation

	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decrease by K1,290,075	Increase by K1,435,416
Salary increase	1%	Increase by K2,791,440	Decrease by K2,358,179

2022 Impact on defined benefit obligation

	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decrease by K941,101	Increase by K1,047,272
Salary increase	1%	Increase by K1,919,851	Decrease by K1,631,048

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the Statement of changes in net assets available for benefits.

Through its defined benefit pension plans, the Fund is exposed to a number of risks, the most significant of which are detailed below:

Changes in bond yields	A decrease in government bond yields will increase plan liabilities. Moreover, there are no plan assets invested in government bonds, hence a change in government bond yield rates may have a more impact on the plan if it differs from the employer's opportunity cost of benefit provision.
Changes in salaries	The plan benefits are calculated with reference to employees' salaries; An increase in salaries will increase the plan liabilities. The risk becomes higher as the expectations of short-term inflation increase, due to the weakened strength of the Zambian Kwacha against other currencies.
Liquidity	The plan is unfunded, posing a risk in that resources are not available when needed to pay benefits that have become due.

Notes to the Annual Financial Statements (continued)

16 Staff pension liability (continued)

The weighted average duration of the defined benefit obligation is 12.5 years. Expected maturity analysis of undiscounted pension benefits:

At 31 December 2023	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	-	-	K455,296	K7,073,746	K7,529,042

At 31 December 2022	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Pension benefits	-	-	K455,296	K7,073,746	K7,529,042

The staff pension Fund is subject to annual actuarial valuation. The resulting actuarial gains and losses are recognized in the statement of changes in net assets available for benefits in administrative expenses.

17. Tax status of the scheme

The Public Service Pensions Scheme is an approved Fund under the fourth schedule of the Income Tax Act Chapter 323 ("the Principal Act"). Consequently, it is exempt from income taxes under paragraph 5 of the second schedule of the Principal Act.

18. Statutory Actuarial position

The actuarial valuation was performed for the year ended 31 December 2023 by Gralix Actuarial Consulting, an independent firm of actuaries, using the attained age method. According to the valuation at that date, the actuarial present value of promised retirement benefits was as shown below:

	2023 K	2020 K
Accrued liabilities		
Present value of accrued liabilities as at 31 December	48,030,000,000	51,958,000,000
Assets		
Present value placed on Fund assets available for benefits as at 31 December	(4,154,000,000)	(1,538,000,000)
Actuarial shortfall		
Excess of accrued liabilities over assets	43,876,000,000	50,420,000,000

Notes to the Annual Financial Statements (continued)

18 Statutory Actuarial position (continued)

The principal actuarial assumptions used were as follows:

- Salary escalation rate	11.87% per annum
- Valuation interest rate	25.50% per annum
- Pension increases	10.68%per annum
- Inflation rate	11.87% per annum

No allowance has been made for any increase to pensions on the basis that no provision is made for explicit pension increases in the PSPF Act. The Fund utilises the actuary for periodic advice and in assessing the financial condition of the plan as well as the investment performance and operating efficiency of the plan. The deficit identified by the actuary is to be funded in full by the Zambian Government and is not recognized in these annual financial statements. The government is currently evaluating options for funding the deficit.

The principal demographic assumption on mortality is based on standard tables. Active member mortality is based on the 1967-70 life table. Pensioner mortality is based on the (55) ultimate life table.

The next valuation is supposed to be performed as at 31 December 2026 in accordance with the three-year valuation cycle required by the PSPF Act.

19 Contingent liabilities

The fund is a part to some cases under the courts of law relating to disputed pension benefit. payments. Provisions for these cases are not made because payments are considered not to be probable and or the amounts cannot be measured reliably.

20 Related party transactions

The entity is owned by the Government of the Republic of Zambia through an act of parliament PSPF Act No. 35 of 1996.

Related parties comprise the Trustees, the participating government of Zambia ministries, and companies which are related to these parties through common shareholdings or common Trusteeships.

Notes to the Annual Financial Statements (continued)

20 Related party transactions (continued)

In addition to contributions receivable (Notes 3(b) and 12) and the payment of Trustees' fees disclosed in Note 7, the following transactions were carried out with related parties during the year:

		2023 K	2022 K
(i)	**Expenditure**		
	Trustees fees	**1,092,400**	324,000
	Trustees allowances	**3,049,622**	1,546,515

		2023 K	2022 K
(ii)	Key management compensation		
	Salaries and other short term employment benefits, and Trustees fees	**8,950,933**	9,118,324
	Pension Contributions – All	**1,463,678**	1,142,263

Key management personnel include the Chief executive, who is also secretary of the board, and four Trustees. Included in the Salaries and other short-term employment benefits and Trustee's fees are salaries paid to management amounting to **K5,701,202** (2022: K5,725,529) and Trustee's fees and allowances amounting to **K3,249,731**(2022: K3,392,795).

21 Government early retirement Funding

The government provides a grant to aid the Fund in paying for early retirement cases in the defense forces and deceased pensioners. Ordinarily the Fund is supposed to cater for pensioners that attain statutory retirement at the age of 55 years, the government pays out this grant as budgeted for in the National Budget. These are recognized when the amount has been communicated to the Fund by the ministry of Finance. At the year end the Funding received amounted to **K601,280,030** (2022: K327,157,031).

Notes to the Annual Financial Statements (continued)

22 Financing gap funds

Financing gap Funds represents budgetary allocation received from the Government of Zambia to finance pension benefits due during each financial year. The financing gap Funds are recognized when the amount has been communicated to the Fund by the ministry of Finance. At the end of the year the Financing gap received amounted to **K1,796,719,581** (2022: K1,739,885,448).

23 Other income

The other income represents the following items:

	2023	2022
	K	K
Interest on staff loans	**596,131**	431,135
Staff mtm unwinding	**7,708,428**	6,540,899
Operational income	**52,363**	596,248
Medical contribution	**359,888**	318,820
Interest on Contributions*	-	230,906,512
	8,716,811	238,793,613

*Interest on Contributions in 2022 relates to interest on pension contribution arrears paid by the Treasury in the year. The interest on contributions is not recognized on an accrual's basis.

24 Long Term Liability

The movement in long term loan over the year was as follows.

At the start of the year	**753,065,288**	**878,943,217**
Interest incurred	**99,496,186**	**-**
Repayment	**(178,708,179)**	**(187,312,913)**
Exchange difference	**286,737,909**	**61,434,984**
At the end of the year	**960,591,203**	**753,065,288**

The Fund acquired a loan from the Industrial and Commercial Bank of China to fund the construction of a mall and hotel at the Alick Nkhata property. The tenure of the loan is fifteen years with three years moratorium at an interest rate of Synthetic LIBOR Plus 3.6%. The loan facility is guaranteed by the Government of Zambia through the Ministry of Finance. The mall was commissioned at the end of December 2022 and interest in the prior years up to 2022 were capitalized. From 2023, all interest shall be expensed in the statement of comprehensive income.

Finance Cost		
Interest Incurred	99,496,185	-
Exchange loss on Loan	286,737,909	61,434,984
	386,234,094	**61,434,984**

25 Subsequent events

After the year end, the government in 2024 provided an allocation of K3.8 billion in the National budget.

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