

ANNUAL REPORT

PETRA ADVANTAGE PENSION SCHEME, FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

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PARTICULARS OF SERVICE PROVIDERS/ADVISORS

Chair of the Board of Trustees	Chris Hammond - Representing Petra Trust Company Limited 113, Airport West, Dzorwulu, Accra P.O. Box CT 3194 Cantonments Accra
Secretary to the Board of Trustees	Kukua Awo Pratt 113, Airport West, Dzorwulu, Accra P.O. Box CT 3194 Cantonments Accra
Sponsor of the Scheme	Petra Trust Company Limited 113, Airport West, Dzorwulu, Accra P.O. Box CT 3194 Cantonments Accra Tel: +233 302 740963
Pension Fund Custodian	Standard Chartered Bank P. O. Box 768 High Street Accra Tel: +233 302 633 569
Administrator	Petra Trust Company Limited 113, Airport West, Dzorwulu, Accra P.O. Box CT 3194 Cantonments Accra Tel: +233 302 740963
Auditor	John Kay & Co. 7 th Floor, Trust Towers Farrar Avenue, Adabraka P.O. Box KA 16088 Airport, Accra Tel: +233 302 235406
Pension Fund Managers	Databank Asset Management Limited 61 Barnes Road Accra EDC Investments Limited No. 5, 2nd Ridge Link Accra

Pension Fund Managers (Cont'd)

FirstBanC Financial Services
World Trade Center
Accra

Frontline Capital Advisors Limited
No.8 Otu Kofi Link
Osu, Accra

IC Asset Managers (Ghana) Limited
No. 2, 2nd Ridge Link
Accra

UMB Investment Holdings Limited
57 Examination Loop
Accra

New Generation Investment Services
COCOBOD Jubilee House
Adum, Kumasi

Prudential Securities Limited
No. 8 Nima Avenue
Accra

Stanlib Ghana Limited
Stanbic Heights, Airport City
Accra

uniSecurities Ghana Limited
Airport Residential Area
Accra

Black Star Advisors Limited
No. 24 Tumu Avenue, Kanda
Accra

InvestCorp Asset Management Limited
No. 15 Wawa Drive, North Dzorwulu
Accra

REPORT OF THE TRUSTEES

The Trustees present their report together with the audited Financial Statements of the Scheme for the year ended 31 December, 2017.

Establishment, Nature and the Status of the Scheme

The Scheme is a defined contribution plan which provides lump sum benefits on retirement and such other ancillary benefits to members who meet the qualifying conditions stipulated under National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883).

The Scheme is a tax exempt pension scheme under the Income Tax Act, 2016 (Act 896) as amended. The Scheme's activities are bound by provisions of the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883). Regulations made under it, Guidelines formulated and published and any Board directives that may be issued from time to time as well as the Governing Rules of the Scheme.

Trustees of the Scheme are ultimately responsible for administration of the Scheme and their responsibility to the Scheme is established by a Trust Deed and Scheme Governing Rules both of which are subject to Act 766, form the basis of establishing the Scheme.

Scheme Membership Statistics

I. Movement During The Year

Description	Number at beginning of period	Additions	Withdrawals	Number at end of period
Active Members	92,977	15,161	465	107,673

II. Summary Statistics

Transfers In	Transfers Out	Partial Withdrawals	Statutory Retirement	Retirement (Early)	Permanent Emigration	Incapacitated Members	Death
738	0	0	294	119	27	2	23

Investment Report

(i) Statement of Investment Principles

We, the Trustees, attest that Scheme funds have been invested with the objective of obtaining safe and fair returns in accordance with National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) and the Guidelines on Investment of Scheme Funds. We confirm that there has been full compliance with prohibitions on investments which include but are not limited to, use of Pension Scheme assets as collateral, investing outside maximum allowable limits, investing outside the scope of assets stipulated by the Guidelines on Investment of Scheme Funds and investing in securities issued by any issuer for which there exists a conflict of interest.

(ii) Investment Allocation

Asset Type	Maximum Allocation	Actual Allocation	Investment Income Earned	2017	2016
				Year End Value	Year End Value
	%	%	GH¢	GH¢	GH¢
Local Government and Statutory Agency	15	12	1,489,774	47,129,363	-
Government Securities	60	49	10,299,511	192,925,482	117,701,634
Corporate Bonds	35	12	1,513,536	48,002,419	38,676,657
Money Market	35	23	10,608,755	91,136,851	86,052,173
Quoted Shares	20	1	1,650,607	4,213,029	2,503,425
Collective Investments	15	2	-	7,819,021	4,422,785
Cash and Cash Equivalents	-	1	-	4,547,120	2,958,605
Total		100	25,562,183	395,773,285	252,315,279

Financials

The Statement of Changes in Net Assets Available for Benefits as presented on page 14 shows an increase in Net Assets available for benefits for the year of GH¢122,016,738 (2016: GH¢149,321,594) and the Statement of Net Assets Available for Benefits on page 13 shows the Scheme's Net Assets as at 31 December, 2017 amounting to GH¢401,214,955. (2016: GH¢278,606,614).

Expenses

All expenses of the Scheme are charged against the Scheme. We confirm that expenses charged and deducted from the Scheme funds are those allowable under the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883), Guidelines on Fees and Charges and any other directives issued by the Authority from time to time.

Type	Maximum Rate	Actual Rate	2017	2016
			Amount	Amount
	% p.a.	% p.a.	GH¢	GH¢
NPRA Fees	0.33	0.33	1,085,831	578,774
Trustee/Administrator Fees	1.33	1.33	4,376,228	2,361,471
Pension Fund Custodian Fees	0.28	0.20	658,229	350,772
Pension Fund Mgr. Fees	0.56	0.35	1,105,424	602,394
Audit Fees	-	-	29,375	18,000
Total			7,255,087	3,911,411

Trustees

The current Board of Trustees as well as any changes made during the year is indicated as below:

License No.	Name	Position	Date Of Appointment	Date Of Exit
NPRA/MTOPS/12009/15315	Martyn Mensah	Independent Trustee	November 2012	June 2017
NPRA/MTOPS/12009/15314	Chris Hammond	Chairman - Representing Petra Trust Company Limited	November 2012	-
NPRA/MTOPS/12009/15449	Eric Nana Otoo	Member Nominated Trustee	August 2016	-
NPRA/MTOPS/12009/15226	Kweku Brenu	Independent Trustee	August 2017	-

Scheme Performance

The Petra Advantage Pension Scheme generated a net return of 21.69% (2017 unit price of GHS 2.827400 and 2016 unit price of GHS 2.323426). This performance compared favourably against an average 91 day Treasury bill rate of 14.07%, annual inflation of 11.8% year on year, and cedi depreciation of 4.90% against the US dollar in 2017. The scheme size grew from GHS 278,606,614 at the beginning of the year to GHS 401,214,955 at year end, representing a growth rate of 44.00%.

Economic and Market Review

In 2017, Ghana's economy recorded the highest GDP growth rate in the last 4 years. The major driver of growth was increased oil production boosted by the opening of the Sankofa-Gye-Nyame (SGN) fields and the deferral of the FPSO Turret Remediation Project to 2018. Growth in the non-oil sectors however declined by 0.02% to 4.80% due to low capital expenditure as well as low private sector credit growth.

The year ended with a fiscal deficit of 5.6%, which was well below the target deficit of 6.30% projected by government. This was achieved by low spending on the part of government, the implementation of the medium-term debt management strategy as well as some revenue mobilization tactics such as the introduction of paperless transactions at the Ports. Headline inflation steadily fell throughout the year which was attributed broadly to low spending by government, and exchange rate stability. Rising food prices as well as increased international oil prices, however exerted upward pressure on inflation in the latter parts of the year (November and December 2017). Overall, year-on-year inflation fell by 360 basis points, ending the year at 11.8%. The monetary policy committee also cut the policy rate to 20% in response to the downward trend in inflation.

On the currency front, the Ghana Cedi performed better in 2017 versus prior years on the back of the tight monetary policies and the consequent improvement in the trade balance due to lower imports. Our local currency depreciated against the US Dollar by 4.9% as compared to 2016's depreciation value of 9.7%. This was as a result of an improvement in the balance of trade, influenced by forex inflows from oil and gas, increasing commodity prices on the world market, as well as a weakened dollar. The dollar depreciated by 12.37% in the face of strong performance by the Euro.

2017 was occasioned by bullish investor sentiment for two major reasons: conflict-free elections as well as the subsequent peaceful transfer of power to the new government and, the various interventions promised by the incoming government aimed at accelerating economic growth including a reduction in nuisance taxes, lower lending rates, establishment of the Energy Sector Levy Act Public Limited Company that helped reduce Non-Performing Loans within the banking sector and the "One District One Factory" initiative among others. The stock market consequently saw a positive return at the end of 2017 after performing poorly for two consecutive years prior. The composite index returned 34.49% while the financial index generated a return of 29.80%.

In line with the government's goal of stimulating private sector growth, fixed income rates declined steadily as the year progressed with a few exceptions. 91-day treasury rates declined by 348 basis points to close the year at 13.34%. The 182-day bill and 1 year note followed similar trends closing the year at 13.88% and 15.00% respectively, representing a fall of 472 and 650 basis points respectively.

On the regulatory front the National Pensions Regulatory Authority (NPRA) introduced additional investible asset classes in April 2017. The additions were Local Government and Statutory Agencies and Alternative Investments. These asset classes offer exciting alternatives for fund managers and also allow pension funds to directly influence private sector development in line with government's goal of stimulating private sector growth.

Portfolio Review

The portfolio generated a net return of 21.69% (2017 unit price of GHS 2.827400 and 2016 unit price of GHS 2.323426) which is equivalent to a real return of 9.89% for 2017, primarily as a result of a successful allocation of the portfolio to the different permissible asset classes. The Scheme continued to enjoy the capitals gains from the bond market. Collective investment allocations increased in 2017 from 1.75 % in 2016 to 1.98% in 2017. The Scheme maintained equity exposure and as such benefited from the resurgence of the stock market. Equity holdings moved from 0.99% in 2016 to 1.06% in 2017 largely due to capital appreciation. Corporate bonds fell from 15.34% in 2016 to 12.13% in 2017. The scheme also allocated 11.91% of its portfolio to Local Government and Statutory Agencies in 2017.

Economic and Financial Markets Outlook

Following an improved macroeconomic performance in 2017, we expect GDP growth to continue to be at an elevated level in 2018. The extension of the IMF program to December 2018 is expected to provide the necessary investor confidence as well as the needed economic oversight for fiscal discipline.

We expect government to continue to maintain the policies agreed under the IMF facility. Importantly, we believe that the stance towards tight fiscal and monetary policy will be adhered to. However, as inflation continues to slowly inch down towards 9%, we anticipate that the central bank will gradually reduce policy rate beginning the second quarter of the year.

Also we expect government to continue to put Ghana to work with the implementation of the Akufo-Addo Program for Economic Transformation which is aimed at accelerating the industrialization of the economy. Stable power supply, the reduction in electricity tariffs, proposed tax breaks and incentives should lead to more recovery in the activity and profitability of the private sector. The introduction of Voluntary Disclosure Procedures (VDP) in the Revenue Administration Act, 2017 (Act 915) should help address revenue slippages as well as the fiscal deficit.

Based on our expectation of tight fiscal policy and increased private sector activity, we believe that the Ghana Cedi will depreciate marginally, not more than 7% against the US Dollar for the year. For the broad macro-economic aggregates, we expect the following outcomes for the year 2018: GDP growth rate of 8% in real terms, an MPC rate of 19%, inflation of 9.50% and local currency depreciation of 6% against the US Dollar.

On the fixed income market, we expect short-term (treasury securities and fixed deposits) rates to stabilize within the lower teens during the first half of the year following the downward trend in 2017. We also anticipate that yields on the longer dated government securities will contract toward 16.5% by the end of the year.

In this environment, the stock market should continue its surge in 2018 as investors look for lucrative alternatives as interest rates trend downwards to the lower teens. Also, we expect a number of rights issues and IPOs as financial institutions seek to raise the needed capital to meet the new minimum capital requirements.

We also expect the recent trend of corporate bond issuances to extend to the banking sector as banks explore options to shore up their stated capital to meet the new minimum capital requirement by December 2018. We also anticipate that other industries will look to tap into pension schemes' funds for capital.

2018 Portfolio Strategy

Our outlook on general economic and financial market performance in 2017 leads us to the following portfolio strategy:

- Continue to increase emphasis on long-term debt securities versus short-term debt securities.
- Continue to maintain exposure to high-quality money market securities and corporate bonds to add income to the portfolio.
- Reduce exposure to the banking sector
- Take opportunistic positions in equities.
- Explore alternative investments

Temporary Pension Fund Account (TPFA)

The release and disbursement of the Temporary Pensions Fund in custody with the Bank of Ghana continued in 2017. We received GH¢24,830,599.14 in transfers for 1,033 employers and 16,841 contributors. We will continue to work with the National Pensions Regulatory Authority (NPRA) to complete outstanding transfers for employers under our management.

Conclusion

We would like to thank all our scheme members for the confidence reposed in us as their Trustees. We will look to exploit any opportunities in investment performance. In addition, we will continue with the on-going initiative to ensure the delivery of quality services and convenience for scheme members.

Thank you for placing your pensions in safe hands.

Statutory Requirements

The Trustees have complied with the requirements of the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883), Regulations made under it, Guidelines and Board Directives that have been issued.

Auditor

John Kay & Co. have been with the Scheme since 2013 and have expressed their willingness to continue in office as Auditors of the Scheme.

Statement of Trustees Responsibilities

National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial transactions of the Scheme for the year and of the disposition at year end of its assets and liabilities.

It also requires the Trustees to ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme. They are also responsible for safeguarding the assets of the Scheme.

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the requirements of the National Pensions Act, 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension (General) Regulations, 2011 (L.I. 1990). The Trustees have instituted appropriate internal controls to avert cases of fraud or error from which material misstatements may arise.

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 International Financial Reporting Standards (IFRS) and in the manner required by the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension (General) Regulations, 2011 (L.I. 1990).

The Trustees assert that the financial statements give a true and fair view of the state of the financial affairs of the Petra Advantage Pension Scheme.

On Behalf of the Board of Trustees

Eric Otoo
Trustee (Name)


Signature

30/04/2018
Date

Kweku Osae Brew
Trustee (Name)


Signature

30/04/2018
Date



John Kay & Co.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PETRA ADVANTAGE PENSION SCHEME (PAPS)

Opinion

We have audited the accompanying financial statements of Petra Advantage Pension Scheme (PAPS) which comprise the statement of Net Assets available for benefits as at 31 December 2017, the statement of Changes in Net Assets available for benefit and the statement of Cash Flow for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 16 to 25.

In our opinion, the accompanying financial statements give a true and fair view of the financial transactions of Petra Advantage Pension Scheme (PAPS) as at 31 December 2017 and of the Scheme's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension (General) Regulations 2011 (L.I. 1990).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension (General) Regulations, 2011 (L. I. 1990), and for such internal controls as the Trustees determine necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to error or fraud. The Trustees are also responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibility for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ❑ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- ❑ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by trustees.
- ❑ Conclude on the appropriateness of 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 Scheme'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 Scheme to continue as a going concern.

We communicate with those charged with governance 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.

Key Audit matters

Temporary Pension Fund Account (TPFA)

Section 218(4) of the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) require that within ninety days of the registration and licensing of the Trustees, fund managers and custodians of the Pension Scheme, the National Pensions Regulatory Authority should compute and transfer all contributions and returns to the credit of the Occupational Pension Scheme Account opened with the chosen licensed Trustees.

We have obtained evidence that the National Pensions Regulatory Authority has, during the year under review, transferred the second batch of contributions held in the Temporary Pension Fund Account (TPFA) amounting to GH¢ 24,830,599.14 for 1,033 employers and 16,841 individuals to the credit of the Scheme.

There still remain a significant amount of the contributions and returns yet to be transferred to the credit of the Petra Advantage Pension Scheme Account in pursuance of the provision of the Act.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of the National Pensions Act 2008 (Act 766), the National Pensions (Amendment) Act, 2017 (Act 883) and the Occupational and Personal (General) regulations, 2011 (L.I.1990)

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit. In our opinion, proper books of accounts have been kept by the Scheme so far as it appears from our examination of those books.



JOHN ARMSTRONG YAO KLINOGO (ICAG/P/1116)

For and on behalf of John Kay & Co. (ICAG/F/2018/128)

Chartered Accountants

Accra.

30/04/ 2018

**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT 31 DECEMBER 2017**

ASSETS	Note	2017 GH¢	2016 GH¢
Cash and Cash Equivalents	6	4,547,120	2,958,605
Held to Maturity	7	172,438,001	206,676,994
Available for Sale	8	186,431,234	29,073,897
Fair Value through Profit and Loss	9	7,819,021	4,422,784
Interest Receivable	11	24,537,909	9,182,999
Other Receivables	12	6,494,028	28,843,247
Total Assets		402,267,313	281,158,526
LIABILITIES			
Benefits Payable	13	81,871	123,690
Administrative Expenses Payable	14	688,045	1,264,752
Other Payables	15	282,442	1,163,470
Total Liabilities		1,052,358	2,551,912
Total Assets Less Liabilities		401,214,955	278,606,614
Represented by:			
Net Assets Available for Benefits (Net Asset Value)		401,214,955	278,606,614

The Financial Statements on pages 13 to 25 were approved by the Trustees on 30/04/2018 and were signed on their behalf by:

ERIC OTOO
Name


Signature

30/04/2018
Date

KWEKU OSAE BRENU
Name


Signature

30/04/2018
Date

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 AS AT 31 DECEMBER 2017**

	Note	2017 GH¢	2016 GH¢
DEALINGS WITH MEMBERS			
Contributions	16	68,811,030	116,643,113
Less: Benefits	17	(9,648,582)	(6,003,517)
A: Net Additions from Dealings with Members		59,162,448	110,639,596
RETURNS ON INVESTMENTS			
Investment Income	18	67,621,412	40,159,099
Less: Brokerage Fees/Levies/Commissions		-	(5,620)
B: Net Investment Income		67,621,412	40,153,479
C: Net Gains/(Loss) on Investment Income	10	2,487,965	2,439,930
D: Administrative Expenses	19	(7,255,087)	(3,911,411)
Increase/(Decrease) in Net Assets for the year (A+B+C+D)		122,016,738	149,321,594

**STATEMENT OF MOVEMENT IN NET ASSETS AVAILABLE FOR BENEFITS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 GH¢	2016 GH¢
Balance at January 1		278,606,614	129,285,020
Prior year adjustment		591,603	-
Increase/(Decrease) for the year		122,016,738	149,321,594
Balance at December 31	20	401,214,955	278,606,614

**STATEMENT OF CASHFLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 GH¢	2016 GH¢
Increase/(Decrease) in Net Assets for the year		122,016,738	149,321,594
<i>Adjusted for:</i> Prior Year Adjustment		591,603	-
Investment Income (Non Cash)	10	(7,759,134)	(10,731,466)
Changes in Fair Value	10	(2,487,965)	(2,439,930)
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase/(Decrease) in Benefits Payable	13	(41,819)	121,921
Increase/(Decrease) in Administrative Expenses Payable	14	(576,707)	672,093
Increase/(Decrease) in Other Payables	15	(881,028)	1,162,466
(Increase)/Decrease in Other Receivables	12	22,349,219	(28,831,785)
		-----	-----
Net Cash Generated from Operating Activities		133,210,907	109,274,893
		-----	-----
CAH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Gov. Notes/Bonds	10	(165,807,392)	(51,385,657)
Purchase of Local Government and Stat Ag.	10	(48,974,553)	-
Purchase of Treasury Bills	10	(61,711,734)	(114,228,104)
Purchase of Quoted Shares	10	(305,900)	(8,047)
Purchase of Money Market Securities	10	(133,022,046)	(123,361,603)
Purchase of Corporate Bonds	10	(28,780,158)	(25,998,062)
Purchase of Collective Investments	10	(24,640,000)	(3,992,035)
Proceeds from Disposal of Gov. Notes/Bonds	10	49,315,660	21,319,294
Purchase of Local Government and Stat Ag.	10	3,334,964	-
Proceeds from Disposal of Treasury Bills	10	102,867,841	103,308,417
Proceeds from Disposal of Quoted Shares	10	246,903	13,345
Proceeds from Disposal of Money Market Securities	10	133,541,250	85,339,249
Proceeds from Disposal of Corporate Bonds	10	19,605,318	191,180
Proceeds from Disposal of Collective Investments	10	22,707,455	1,565,387
		-----	-----
Net Cash used in Investing Activities		(131,622,392)	(107,236,636)
		-----	-----
Net Increase/(Decrease) in Cash and Cash Equivalents		1,588,515	2,038,257
		=====	=====
Cash and Cash Equivalents at 1 January		2,958,605	920,348
Net Increase/(Decrease) in Cash and Cash Equivalents		1,588,515	2,038,257
		-----	-----
Cash and Cash Equivalents at 31 December		4,547,120	2,958,605
		=====	=====

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Petra Advantage Pension Scheme (“The Scheme”) is a Scheme registered and domiciled in Ghana. The Scheme is a master trust scheme for Petra Trust Limited. The Scheme’s shares are not traded on a public market and it does not file its financial statements with National Pension Regulatory Authority or other regulatory body for the purpose of issuing any class of instrument in a public market.

The Scheme is an occupational pension scheme primarily involved in investing members contribution in a highly diversified portfolio of equity securities issued by companies listed on the Ghana Stock Exchange, unlisted investment funds, investment-grade debt securities, with the objective of providing members with above-average returns over medium to long term. The investment activities of the scheme are managed by Databank Asset Management, EDC Investments Limited, FirstBanc Financial Services, UMB Investments Holding Limited, Prudential Securities Limited, Black Star Advisors Limited, IC Assets Managers, New Generation Investments Services and Stanlib Ghana Limited and the administration of the Scheme is delegated to Petra Trust Company Limited.

2. Basis of Accounting

a. Basis of Preparation

These financial statements have been prepared in accordance with the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) Section 166 and comply with the International Financial Reporting Standards (IFRS) and issued by the Board of Trustees on March 29, 2018.

b. Functional and Presentation Currency

These financial statements are presented in Ghana Cedi, which is the Scheme’s functional currency. All amounts have been stated in full.

c. Use of Judgements and Estimates

In preparing these financial statements, the Scheme’s Trustees have made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

3. Accounting Policies

The following principal accounting policies have been consistently applied during the year in the preparation of the Fund’s financial statements.

i. Contributions

Employer and members’ contributions, including employer contribution in respect of employees contributions made under salary sacrifice, are accounted for on accrual basis at rates agreed between the Trustee and the employer based on the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) Section (96) as shown in the schedule of contributions paid at the end of each month that they are deducted from payroll.

ii. Investment Income Recognition

a. Interest income

Interest income, including interest income from non-derivative financial assets at Fair Value Through Profit or Loss (FVTPL), are recognised in profit or loss, using effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market based re-pricing date to the net carrying amount of the financial instrument on initial recognition.

Interest received or receivable and interest paid or payable are recognised in the profit or loss as interest income or interest expense, respectively.

b. Dividend Income

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date that shareholders approve the payment of dividend.

c. Pooled Investment Income

Income arising from the underlying investment of the pooled investment vehicles that is reinvested within the pooled investment vehicles is reflected in the unit price. Such income is reported within the change in market value.

iii. Investments Assets

The scheme classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. The Trustees determine the classification of the investments at the initial recognition and re-evaluates this at every reporting date.

a. Financial Assets at Fair Value through Profit or Loss

This category has two sub-categories; financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into this category at inception and is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by Trustees.

b. Loans and Receivables

Loans and Receivables are non-derivatives financial assets with fixed or determinable payment that are not quoted in an active market other than those that the scheme intends to sell in the short term or that it has designated as at fair value through income or available-for-sale.

c. Held-to-Maturity Financial Assets

Held-to-Maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity other than those that meet the definition of loans and receivables that the scheme management has the intention and ability to hold to maturity.

d. Available-for-Sale Financial Asset

Available-for-Sale Financial Assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Regular way purchases and sales of investments are recognised on trade date - the date on which the scheme commits to purchase or sell the asset. Investments are initially recognised at fair value plus, (in the case of all financial assets not carried at fair value through profit or loss), transaction cost that are directly attributable to their acquisition.

Investments are derecognised when the right to receive cash flows from the investments has expired or where they have been transferred and the scheme has also transferred substantially all risk and rewards of ownership.

Available-for-Sale Financial Assets and Financial Assets at Fair Value through Profit or Loss are subsequently carried at fair value. Loans and Receivables as well as Held-to-Maturity Financial Assets are carried at amortised cost using effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statements in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as net realised gain/loss on financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the scheme establishes fair value by using valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

e. Cash and Cash Equivalents

Cash and Cash Equivalents comprise call and current accounts operated with banks.

iv. Foreign Currency

Transactions in foreign currencies during the period are converted into Ghana Cedis at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into cedis at exchange rates ruling at the financial year-end.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into cedis at the exchange rates at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gains from financial instruments at FVTPL.

v. Benefits Payable

Benefits payables are included in the financial statements on an accrual basis where members become entitled to such benefits.

vi. Transfer Values

Transfer values represent the capital sums paid to and from the pension schemes on the basis of when the member liability is accepted or discharged.

vii. Fees and Commission

Fees and commission expenses are recognised in profit or loss as the related services are performed.

4. Key Contractors

a. Transaction with Trustees/Fund Administrators

The total Trustees/Administration fees charged during the year amounted to GH¢ 4,376,228. Included in the payables are Trustee fees of GH¢ 370,782.

b. Fund Managers

The Trustees of the Scheme appointed Stanlib Ghana Limited, Databank Asset Management, EDC Investments Limited, FirstBanc Financial Services, UMB Investments Holding Limited, Prudential Securities Limited, Black Star Advisors Limited, IC Asset Managers, uniSecurities Ghana Limited, InvestCorp Asset Management Limited, Frontline Securities and New Generation Investments Services, all investment management companies incorporated in Ghana and duly licensed by the Security and Exchange Commission of Ghana and the National Pension Regulatory Authority as pension fund managers, to implement the investment strategy and objectives as stated in the Scheme's investment management policy manual. Under the investment management agreements, the investment managers receive a management fee at an annual rate of 0.35% of the net asset value attributable to members of the Fund. The management fees incurred during the year amounted to GH¢ 1,105,424. Included in the payables as at 31 December 2017 were fund management fees payable of GH¢ 112,543.

c. Fund Custodians

The Trustees of the Scheme appointed Standard Chartered Bank, a limited liability company incorporated in Ghana and registered by the National Pension Regulatory Authority as a pension scheme custodian, to provide custody services to the Trustees as prescribed under the National Pension Act, 2008 (Act 766). Under the custody agreement, the Custodian receives a custodian fee at an annual rate of 0.20% of the net asset value in accordance with guidelines on fees and charges issued by the National Pension Regulatory Authority (NPRA). The Custodian fees charged during the year amounted to GH¢ 658,229. Included in the payables as at 31 December 2017 were custodian fees of GH¢ 66,168.

5. Financial Risk Management, Objectives and Policies

a. Asset/Portfolio/Credit Risk

Credit risk is the risk that counterparties (i.e. financial institutions and companies) in which the Scheme's assets are invested will fail to discharge their obligations or commitments to the Scheme, resulting in a financial loss to the Scheme.

The Scheme's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meets the standards set out in the NPRA guidelines and the Fund's investment policy statement. Prior to any investment, a credit assessment report must be presented for approval after which the decision to invest funds with an issuer is made.

b. Liquidity Risk

Liquidity risk is the risk that the Scheme either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due. The Scheme's approach to managing liquidity is to ensure that it will maintain adequate liquidity in the form of cash and very liquid instruments to meet its liabilities (including benefits) when due. A threshold amount has been set based on historical accrued benefits paid to ensure that this risk is mitigated wholly.

c. Market Risk

Market risk is the risk that changes in market prices, such as interest rates on investments will affect the fund's income.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. This systematic risk cannot be mitigated through diversification.

d. Interest Rate Risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The investment managers advise the Trustees on the appropriate balance of the portfolio between equity, fixed rate interest, and variable rate interest investments. The scheme uses duration targeting as a means of mitigating the effects of the risk. The target duration is regularly reviewed by the Trust Board. For some of the bonds with issuers other than the Government of Ghana, investments are placed with a floating rate to hedge against this risk.

e. Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Scheme's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of Scheme behaviour. Operational risks arise from all of the Fund's operations and are faced by all pension schemes.

The Fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Scheme's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the administrator. This responsibility is supported by the development of following policies and standards; governing rules and trust deed;

- Investment Policy statement;
- requirements for the reporting of non-compliance with regulatory and other legal requirements;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

Measures have been set such as instituting different authorisation levels, together with technological systems to ensure that such risks are mitigated, secured servers are monitored and backed up daily both on-site and off-site to ensure that the scheme's operational data is not lost.

Compliance with the Scheme governing rules is supported by a programme of annual reviews undertaken by the external auditor. The results of these reviews are discussed with Trustees.

f. Currency/ Foreign Currency Exchange Rates

The Scheme's financial assets could be exposed to currency translation risk for foreign currency denominated investments. These assets are exposed to translation risk which affects the scheme's investment performance due to fluctuations in different currency rates. The scheme mitigates this by investing less than 5% of the Assets under Management in active currency allocations.

6. Cash and Cash Equivalents

	2017 GH¢	2016 GH¢
Current & Call Account	4,547,120	2,958,605
	-----	-----
	4,547,120	2,958,605
	=====	=====

7. Held to Maturity

	2017 GH¢	2016 GH¢
Local Gov. and Stat Ag.	45,348,902	-
Gov. Notes/Bonds	-	39,563,768
Treasury Bills	-	48,751,883
Money Markets	80,528,096	81,047,300
Corporate Bonds	46,561,003	37,314,043
	-----	-----
	172,438,001	206,676,994
	=====	=====

8. Available for Sale

	2017 GH¢	2016 GH¢
Gov. Notes/Bonds	182,218,205	26,570,472
Quoted Shares	4,213,029	2,503,425
	-----	-----
	186,431,234	29,073,897
	=====	=====

9. Fair Value through Profit or Loss

	2017 GH¢	2016 GH¢
Collective Investments	7,819,021	4,422,784
	-----	-----
	7,819,021	4,422,784
	=====	=====

10. Total Investments and Assets

2017							
	Bal 1/1/17 GH¢	Purchase at Cost GH¢	Accrued Interest GH¢	Interest Received GH¢	Disposal/ Maturity GH¢	Change in Fair Value GH¢	Value 31/12/17 GH¢
Gov. Notes/Bonds	68,949,751	165,807,392	10,707,277	(2,815,512)	(49,315,660)	(407,766)	192,925,482
Local Gov.and Stat.	-	48,974,553	1,780,461	-	(3,334,964)	(290,687)	47,129,363
Treasury Bills	48,751,883	61,711,734	-	(7,595,776)	(102,867,841)	-	-
Money Markets	86,052,173	133,022,046	10,608,755	(5,004,873)	(133,541,250)	-	91,136,851
Corporate Bonds	38,676,657	28,780,158	1,441,416	(1,362,614)	(19,605,318)	72,120	48,002,419
Collective Investment	4,422,785	24,640,000	-	-	(22,707,455)	1,463,691	7,819,021
Quoted Shares	2,503,425	305,900	-	-	(246,903)	1,650,607	4,213,029
Total Investment	249,356,674	463,241,783	24,537,909	(16,778,775)	(331,619,391)	2,487,965	391,226,165
Other Receivables	-	-	-	-	-	-	6,494,028
Cash and Cash Equivalents	-	-	-	-	-	-	4,547,120
Total Assets	249,356,674	463,241,783	24,537,909	(16,778,775)	(331,619,391)	2,487,965	402,267,313
2016							
	Bal 1/1/16 GH¢	Purchase at Cost GH¢	Accrued Interest GH¢	Interest Received GH¢	Disposal/ Maturity GH¢	Change in Fair Value GH¢	Value 31/12/16 GH¢
Gov. Notes/Bonds	35,275,875	51,385,657	2,815,512	(1,616,538)	(21,319,294)	2,408,540	68,949,751
Treasury Bills	32,017,602	114,228,104	7,595,776	(1,781,182)	(103,308,417)	-	48,751,883
Money Markets	45,205,872	123,361,603	5,004,873	(2,245,192)	(85,339,249)	64,266	86,052,173
Corporate Bonds	11,879,396	25,998,063	1,362,614	(404,396)	(191,180)	32,162	38,676,657
Collective Investment	1,415,694	3,992,035	-	-	(1,565,387)	580,443	4,422,785
Quoted Shares	3,154,203	8,047	-	-	(13,345)	(645,479)	2,503,425
Total Investment	128,948,642	318,973,509	16,778,774	(6,047,308)	(211,736,872)	2,439,930	249,356,674
Other Receivables	-	-	-	-	-	-	28,843,247
Cash and Cash Equivalents	-	-	-	-	-	-	2,958,605
Total Assets	128,948,642	318,973,509	16,778,774	(6,047,308)	(211,736,872)	2,439,930	281,158,526

11. Interest Receivable

	2017	2016
	GH¢	GH¢
Gov. Notes/Bonds	10,707,277	2,815,512
Local Gov.and Stat.Ag.	1,780,461	-
Corporate Bonds	1,441,416	1,362,614
Money Markets	10,608,755	5,004,873
	-----	-----
	24,537,909	9,182,999
	=====	=====

12. Other Receivables

	2017	2016
	GH¢	GH¢
Dividends	23,032	23,032
Trade Receivable	21,472	768,961
Contributions Receivable	6,449,524	28,051,254
	-----	-----
	6,494,028	28,843,247
	=====	=====

13. Benefits Payable

	2017	2016
	GH¢	GH¢
Benefits Payable	81,871	123,690
	-----	-----
	81,871	123,690
	=====	=====

14. Administrative Expenses Payable

	2017	2016
	GH¢	GH¢
NPRA Fees	109,177	185,684
Administrator/Trustees Fees	370,782	755,944
Pension Fund Management Fees	112,543	192,588
Pension Fund Custodian Fees	66,168	112,536
Audit Fees	29,375	18,000
	-----	-----
	688,045	1,264,752
	=====	=====

15. Other Payables

	2017	2016
	GH¢	GH¢
Trade Payables	282,442	1,163,470
	-----	-----
	282,442	1,163,470
	=====	=====

16. Contributions

	2017 GH¢	2016 GH¢
Contribution Received	57,591,848	43,054,810
Contribution Receivable	6,449,524	28,051,254
Transfers In	4,769,658	45,537,049
	-----	-----
	68,811,030	116,643,113
	=====	=====

17. Benefits

	2017 GH¢	2016 GH¢
Lump Sum Benefit Paid	9,648,582	6,003,517
	-----	-----
	9,648,582	6,003,517
	=====	=====

18. Investment Income

	2017 GH¢	2016 GH¢
Interest on Gov. Notes/Bonds	27,070,331	10,350,885
Interest on Local Gov.and Stat.Ag	1,536,408	-
Interest on Treasury Bills	6,831,466	9,375,330
Interest on Money Market Securities	21,568,407	14,960,883
Interest on Corporate Bonds	9,745,281	4,847,479
Dividend Income	64,808	159,157
Interest on Call Accounts	804,711	465,365
	-----	-----
	67,621,412	40,159,099
	=====	=====

19. Administrative Expenses

	2017 GH¢	2016 GH¢
NPRA Fees	1,085,831	578,774
Scheme Administrator Fees	4,376,228	2,361,471
Pension Fund Management Fees	1,105,424	602,394
Pension Fund Custodian Fees	658,229	350,772
Audit Fees	29,375	18,000
	-----	-----
	7,255,087	3,911,411
	=====	=====

20. Net Assets Available for Benefits

2017	Contributions GH¢	Net Investment Income GH¢	Total GH¢
Balance at January 1	218,243,843	60,362,771	278,606,614
Additions	68,811,030	63,445,893	132,256,923
(Deductions)	(9,648,582)	-	(9,648,582)
Balance at December 31	<u>277,406,291</u>	<u>123,808,664</u>	<u>401,214,955</u>

2016	Contributions GH¢	Net Investment Income GH¢	Total GH¢
Balance at January 1	107,604,247	21,680,773	129,285,020
Additions	116,643,113	38,681,998	155,325,111
(Deductions)	(6,003,517)	-	(6,003,517)
Balance at December 31	<u>218,243,843</u>	<u>60,362,771</u>	<u>278,606,614</u>

21. Tax

The Fund is exempt from taxation in accordance with provisions of the National Pensions Act 2008 (Act 766), the National Pension (Amendment) Act, 2014 (Act 883) and the Income Tax Act 2016 (Act 896).

22. Commitments and Contingencies

As at the date of reporting, there were no outstanding commitments or contingencies.

23. Events after the Reporting Period

Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. As at the end of the reporting period, there no were events after the reporting period that relate to the year under consideration.

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