PETRA ADVANTAGE PENSION SCHEME

ANNUAL REPORT 2019

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31ST 2019

PETRA

W: www.petratrust.com

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REPORT OF THE TRUSTEES

The Trustees present their report together with the audited Financial Statements of the Scheme for the year ended 31 December, 2019.

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 the National Pensions Act 2008 (Act 766), and the National Pension (Amendment) Act, 2014 (Act 883).

The Scheme is a tax exempt pension scheme under the Income Tax Act, 2015 (Act 896) and its amendments. 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	140,293	25,803	1,455	164,641

II. Summary Statistics

Transfers In	Transfers Out	Partial Withdrawals	Statutory Retirement	Retirement (Early)	Permanent Emigration	Incapacitated Members	Death
133	333	234	431	532	75	8	76

Investment Report

(i) Statement of Investment Principles

We, the Trustees, attest that the Scheme funds have been invested with the objective of obtaining safe and fair returns in accordance with the 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) Particulars of Investment Policy

Assets Type	Maximum Allocation (%)	Permitted Ranges (%)
Government of Ghana	60	50-60
Corporate Debt Securities	35	30-35
Money Market Securities	35	30-35
Collective Investment Schemes	15	0-15
Local Government and Statutory Agency Securities	15	0-15
Alternative Investments	15	0-0
Equities	20	0-1

(iii) Investment Allocation

				2019	2018
Asset Type	**Maximum Allocation**	**Actual Allocation**	**Investment Income Earned**	**Year End Value**	**Year End Value**
	%	**%**	**GH¢**	**GH¢**	**GH¢**
Local Government and Statutory Agency	15	13	4,506,907	82,647,636	50,425,300
Government Securities	60	71	70,385,120	461,458,372	303,814,517
Corporate Bonds	35	7	8,036,961	44,772,577	41,685,411
Money Market	35	4	3,837,122	24,944,808	48,436,538
Quoted Shares	20	1	104,146	3,148,750	3,919,476
Collective Investments	15	1	-	2,714,408	28,333,638
Cash and Cash Equivalents	-	3	280,486	22,885,693	21,196,443
Total		**100**	**87,150,742**	**642,572,244**	**497,811,323**

The Government Securities maximum allocation was temporarily increased to 70% starting December 1, 2018 and ending December 31, 2019.

Financials

The Statement of Changes in Net Assets Available for Benefits as presented on page 16 shows an increase in Net Assets available for benefits for the year of GH¢146,054,111 (2018: GH¢118,649,753) and the Statement of Net Assets Available for Benefits on page 15 shows the Scheme's Net Assets as at 31 December, 2019 amounting to GH¢672,966,608. (2018: GH¢519,826,222).

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.

			2019	2018
Type	**Maximum Rate**	**Actual Rate**	**Amount**	**Amount**
	% p.a.	**% p.a.**	**GH¢**	**GH¢**
NPRA Fees	0.33	0.33	1,952,714	1,516,783
Trustee/Administrator Fees	1.33	1.33	7,872,504	6,112,972
Pension Fund Custodian Fees	0.28	0.20	1,183,463	919,263
Pension Fund Mgr. Fees	0.56	0.35	1,868,533	1,536,136
Audit Fees	-	-	47,250	41,344
Total			**12,924,464**	**10,126,498**

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/12009/15314	Chris Hammond	Chairman - Representing Petra Trust Company Limited	November 2012	-
NPRA/MTOPS/12009/15449	Eric Nana Otoo	Member Nominated Trustee	August 2017	-
NPRA/MTOPS/12009/15226	Kweku Brenu	Independent Trustee	August 2017	-

Scheme Performance

The Petra Advantage Pension Scheme generated a net return of 15.30% (2019 unit price of GHS 3.686582 and 2018 unit price of GHS 3.197289). The scheme performed favourably against annual inflation of 7.90% year on year, and cedi depreciation of 12.90% against the US dollar in 2019. The scheme size grew from GHS 519,826,222 at the beginning of the year to GHS 672,966,608 at year end, representing a growth rate of 29.46%.

Economic and Market Review

Global economic growth in 2019 recorded its slowest pace since the Global Financial Crisis over a decade ago. Rising trade barriers, geo-political tensions, social unrest, and associated uncertainty weighed down on business sentiment and global economic activity. This slowdown was widespread affecting both advanced and developing economies.

Global central banks reacted aggressively to this slowdown in economic activity and over the course of the year, several, including the US Federal Reserve and the European Central Bank cut interest rates to boost economic activity.

On the domestic front, Ghana's economy continued to expand in 2019 despite the slowdown in the rest of the world. A key factor behind this growth was the double-digit expansion in oil and gas GDP. The production of crude oil increased from 195,000 barrels per day at the beginning of the year to 214,000 barrels per day as of August 2019. According to data from the Ghana Statistical Service, annual oil and gas expenditure is on track to total $ 3.1 billion in 2019, up from $2.3 billion and $ 2.6 billion in 2017 and 2018, respectively, with much of this dedicated to field exploration.

In 2019, we also saw the Government continue its proactive role in strengthening the financial sector. In August 2019, the Bank of Ghana announced that it had revoked the licenses of 23 Savings and Loans companies for continued insolvency. This development was part of ongoing efforts to clean up the financial sector, which saw the Central Bank revoke the licenses of over 400 institutions since 2017. In addition, the authorities sought to improve investor confidence by increasing the minimum capital requirement for Commercial Banks from GHS 120 million to GHS 400 million. In August the Securities and Exchange Commission also outlined plans to increase the minimum capital limit for fund managers, from GHS 100 thousand to GHS 2 million and in November 2019, the Securities and Exchange Commission revoked the licenses of 53 Fund Management Companies for failure to perform their functions efficiently, honestly and fairly, coupled with regulatory breaches.

The Ghana Statistical Service rebased the Consumer Price Index (CPI), using 2018 as the new base year. The rebasing process, which ensures that the methodological basis upon which the CPI is constructed is robust involved replacing the old base year (2012 used for compiling the constant price estimates to a new and more recent base year 2018). This resulted in an expansion of the basket of goods from the 2012 reference to the 2018 reference. Additionally, the points of data collection also increased from 42 markets to 44 markets. This rebasing was meant to account for changes in consumption patterns over time as well as adequately reflect current consumer spending habits. The country posted a 2019-year end inflation figure of 7.9% exceeding the Government's year-end target of 8%.

Rates on the Government of Ghana short term instruments rose at the end of the year from an open rate of 14.59% and 15.03% to 14.70% and 15.15% for the 91-day and 182-day Treasury bill respectively. The increase in these rates were as a result of the financing pressures the Government experienced amidst its revenue shortfalls. The

Central Bank also replaced the 1 year note with the 364-day Treasury bill and introduced the 20-year bond in a bid to deepen its activities on the longer end of the market. As part of the Government's debt management strategy,

existing bond securities were reopened to build benchmark bonds to enhance liquidity in the secondary markets. Other money markets rates including interest rates received on our investments in fixed deposits declined on the back of the declining policy rate and improved liquidity of the banks following the recapitalization efforts.

There was immense volatility in the Ghana cedi in the first quarter of 2019 mainly on the back of the Central Bank's surprise cut in policy rate to 16% and edgy market sentiments following the introduction of the new forex market regulation. In the second quarter, the oversubscription of the $ 3 billion Eurobond issuance and Standards and Poor's Global positive rating of the foreign and local sovereign credit ratings on Ghana, increased risk appetite in our markets. This in turn, led to the Ghana cedi reverse some of the losses it experienced in the early start of the year. The months afterwards saw the Central Bank heavily intervening into the FX market to keep the local currency stable. Coupled with the interventions, the Central Bank also introduced the forex forward auctions. The country also received its first tranche inflow of $600 million from the Cocobod syndicated loan. All these posed as efforts to counterbalance the downside risk to the Ghana cedi emanating from further payments out of the current account and external factors such as geo-political tensions in Iran, Brexit and the US - China trade war.

In the closing stages of the year, a thaw in trade tension resulting in risk-on mode, coupled with the announcement of a Eurobond issuance, in early 2020, which was expected to cushion the country's international reserves, and a weaker demand for the US Dollar by corporates restored the Ghana cedi's footing to close the year at a depreciation of 12.90% against the United States Dollar in 2019 compared to a depreciation of 9.16% against the United States Dollar in 2018 on the interbank market. The Ghana stock market remained bearish throughout the year as market direction was mainly driven by the liquidity crunch in the investment advisory and asset management space rather than fundamental corporate values. The Ghana Stock Exchange composite index recorded a loss of -12.25% for 2019 compared to a 0.29% loss in 2018.

Portfolio Review

The portfolio generated a net nominal return of 15.30% (2019 unit price of GHS 3.686582 versus 2018 unit price of GHS 3.197289) which is equivalent to a net real return of 7.4% for 2019, primarily as a result of a successful allocation of the portfolio to the different permissible asset classes. Allocation to Collective investment schemes was maintained at 1% while the Scheme reduced equity exposure to minimize losses from the stock market. Similarly, the Scheme reduced Corporate bond holdings from 8% in 2018 to 7% in 2019, and also allocated 13% of its portfolio to Local Government and Statutory Agencies.

Economic and Financial Markets Outlook

We expect political stability to remain underpinned by Ghana's strong democratic credentials. Ghana is gradually building industrial capacity. It is expected for the Government to prioritize industrialization as a means of job creation and economic expansion. However structural weaknesses and global shocks will restrain the pace of progress. Reforms started by the Government three years ago such as the Planting for Food and Jobs (PFJ) Programme, have started paying off and we expect this to continue into 2020.

The announcement of the Eurobond Issuance in early 2020, softening of trade tensions and the Fed's dovish stance on monetary policy helped reduce the level of uncertainty that was gradually building up among global investors at the start of the year. However, economic growth will be severely dented in 2020 as the country is hit by the global economic fallout from the COVID- 19 pandemic. This slowdown will also dent non-oil growth and investment flows, and the government will need external assistance to avoid a balance of payments crisis. On the back of these events, we expect a higher depreciation in the first half of 2020 than we saw for the same period last year.

Inflation was subdued for the greater part of 2019 mainly as a result of a decline in non-food inflation. It is expected that the inflation numbers for 2020 will continue to remain stable; not falling much from current levels. We believe the Central Bank might ease monetary policy further in the short to medium term despite the high real interest rates and the subdued private sector growth even after the clean-up in the financial sector to stimulate economic expansion. We expect both demand and supply to be subdued in the coming months and we predict headline inflation to end the year within Government's stated target band of 8+/-2.

On the back of a fast depreciation of the Ghana cedi and uncertainties surrounding the economy during the COVID-19 pandemic, we anticipate a sharp spike in yields towards the first half of 2020. Coupled with that, uncertainties surrounding the Government's spending needs especially during such times when markets may remain closed, might push yields upwards by the end of 2020.

The effects of the financial sector clean up still remain as the liquidity crunch still exists in the economy. Despite clarity that will be gained after the pandemic's crisis wanes, it is anticipated that there will be a resurgence in the performance of the stock market only after the financial sector crises is entirely resolved and subsequently, locked up funds released to beneficiaries. This is not to downplay the positive effects of anticipated robust corporate earnings and positive investor sentiment after a bearish run in 2019. Following the recapitalization of banks, we expect competition to intensify in the financial services industry when it comes to product innovation and service quality. We believe digitization will be the largest driving force here.
Targeted positions in stocks with attractive valuation multiples will be profitable for our portfolios in the short to medium term.

Nevertheless, a volatile external environment, economic slowdown from the COVID-19 pandemic and the risk of fiscal slippages amid the impending elections remain as key risks to the outlook.

2020 Portfolio Strategy

- Take positions in short-term papers to reduce duration for the scheme, that will protect the scheme's returns on Government securities from further market volatilities
- Reduce exposure to the fixed deposit space.
- Invest in high quality corporate bonds with strong legal arrangements.
- Continue to maintain our exposure to collective investments for indirect exposure to equities and to maintain liquidity
- Take opportunistic positions in carefully selected stocks on the local exchange that offer rewarded risk factor exposures.
- Seek diversification into the alternative asset class space for investments with less correlated returns to fixed income.

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

The 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.

The Report of the Trustees was approved by the Board of Trustees on 1st June 2020 and was signed on its behalf by:

Chris Hammond		June 1, 2020
Trustee	Signature	Date
Mr. Kweku Osae Brenu		June 1, 2020
Trustee	Signature	Date

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

Opinion

We have audited the accompanying financial statements of Petra Advantage Pension Scheme which comprise the Statement of Net Assets Available for Benefits as at 31 December 2019, the Statement of Changes in Net Assets Available for Benefits and the Statement of Cash Flows 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 18 to 29

In our opinion, the accompanying financial statements give a true and fair view of the financial transactions of Petra Advantage Pension Scheme as at 31 December 2019 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 Pensions (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.

Key Audit Matters

In accordance with ISAs, this part of our report is intended to describe the matters communicated with those charged with governance that we have determined, in our professional judgement, were most significant in the audit of the financial statements in the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and that we do not provide a separate opinion on these matters. We have determined the following matters under key audit matters:

1. **Investments with FirstBanc Financial Services Limited**

Included in Trade and Other Receivables (note 9) in the Statement of Net Assets Available for Benefits is various matured investments totalling GH¢12,631,316. This amount was under the management of FirstBanc Financial Services whose appointment by the scheme was terminated on 8th October 2019 and whose operating licence was subsequently revoked by the Securities and Exchange Commission (SEC) on 8th November 2019. The non-payment of this amount poses some liquidity challenge to the scheme. The risk was addressed by reviewing documentations to confirm this amount.

2. **Matured Corporate Bonds**

Included in Trade and Other Receivables (note 9) in the Statement of Net Assets Available for Benefits are GH¢1,300,599 and GH¢10,243,000 due from Edendale Properties PLC and Produce Buying Company Limited respectively. These amounts represent investments made by the scheme in Corporate Bonds issued by these companies that have matured but have not been paid. The non-payment of this amount poses some liquidity challenge to scheme. The risk was addressed by reviewing documentations to confirm these amounts and the impairment provisions made by the Trustees for the amount receivable from Edendale Properties PLC..

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PETRA ADVANTAGE PENSION SCHEME (CONT'D)**

Report on Other Information

Management is responsible for the other information. The other information comprises report of the Trustees. Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be 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 determined that there is nothing to report in this regard.

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 Pensions (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 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.

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

- 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 cease to continue as a going concern.

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

We communicate with 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.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of the National Pensions Act 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pension Schemes (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 accounting records have been kept and the Trustees of the Scheme have fully complied with the prohibited investment practices stated under section 35 of the Occupational and Personal Pension Schemes (General) Regulations, 2011 (L.I.1990), and all other requirements under the National Pensions Act 2008 (Act 766) and the National Pensions (Amendment) Act, 2014 (Act 883) so far as it appears from our examination of the books of the Scheme.

The engagement partner on the audit resulting in this Independent Auditor's Report is **John Armstrong Yao Klinogo (ICAG/P/1116)**

For and on behalf of John Kay & Co. (ICAG/F/2020/128)
Chartered Accountants
Accra**.**
.... 2020

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT 31 DECEMBER 2019

		2019	2018
ASSETS	**Note**	**GH¢**	**GH¢**
Cash & Cash Equivalents	6	22,885,693	21,196,443
Investments at Amortised Cost	7	156,791,628	141,811,647
Investments at FVTPL	8	462,894,923	334,803,233
Trade & Other Receivables	9	33,299,935	23,859,439
Total Assets		**675,872,179**	**521,670,762**
LIABILITIES			
Benefits Payable	10	1,248,619	518,119
Administrative Expenses Payable	11	1,271,242	1,049,811
Trade & Other Payables	12	385,710	276,610
Total Liabilities		**2,905,571**	**1,844,540**
Total Assets Less Liabilities		**672,966,608**	**519,826,222**
Represented by:			
Net Assets Available for Benefits (Net Asset Value)		**672,966,608**	**519,826,222**

The notes on pages 18 to 29 form an integral part of these financial statements.

The Financial Statements on pages 15 to 29 were approved by the Trustees on 1st June 2020 and were signed on their behalf by:

Mr. Chris Hammond
…………………………………………
Name

…………………………………………
Signature

Mr. Kweku Osae Brenu
……………………………………..
Name

……………………………..............
Signature

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR 31 DECEMBER 2019

	Note	2019 GH¢	2018 GH¢
DEALINGS WITH MEMBERS			
Contributions	13	101,332,318	75,140,148
Less: Benefits	14	(35,319,542)	(7,971,440)
A: Net Additions from Dealings with Members		**66,012,776**	**67,168,708**
RETURNS ON INVESTMENTS			
Investment Income	15	87,150,742	71,808,943
Impairment Loss Allowance	23	(69,895)	-
Less: Brokerage Fees/Levies/Commissions		(121,358)	(38,507)
B: Net Investment Income		**86,959,489**	**71,770,436**
C: Net Gains/ (Loss) on Investment Income	16	**6,006,310**	**(10,162,893)**
D: Administrative Expenses	17	**(12,924,464)**	**(10,126,498)**
Increase/ (Decrease) in Net Assets for the year (A+B+C+D)		**146,054,111**	**118,649,753**

STATEMENT OF MOVEMENT IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 GH¢	2018 GH¢
Balance at January 1		519,826,222	401,214,955
Prior year adjustment	22	7,086,275	(38,486)
Increase/ (Decrease) for the year		146,054,111	118,649,753
Balance at December 31	18	**672,966,608**	**519,826,222**

The notes on pages 18 to 29 form an integral part of these financial statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 GH¢	2018 GH¢
Increase/(Decrease) in Net Assets for the year		146,054,111	118,649,753
Adjusted for: Prior Year Adjustment		7,086,274	(38,486)
Investment Income (Non Cash)	16	(8,146,212)	15,124,999
Changes in Fair Value	16	(6,006,310)	10,162,893
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in Trade & Other Receivables	9	(9,440,496)	(17,365,411)
Increase in Benefits Payable	10	730,500	436,248
Increase in Administrative Expenses Payable	11	221,431	361,766
Increase/(Decrease) in Trade & Other Payables	12	109,100	(5,832)
Net Cash Generated from Operating Activities		**130,608,399**	**127,325,930**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Gov. Notes/Bonds	16	(523,820,655)	(176,990,614)
Purchase of Local Government and Stat Ag.	16	(95,379,521)	(18,063,942)
Purchase of Treasury Bills	16	(14,231,738)	(5,375,552)
Purchase of Quoted Shares	16	(35,771)	(43,000)
Purchase of Money Market Securities	16	(65,148,772)	(64,225,573)
Purchase of Corporate Bonds	16	(5,031,000)	(29,355,881)
Purchase of Collective Investments	16	(52,386,945)	(27,023,482)
Proceeds from Disposal of Gov. Notes/Bonds	16	378,640,439	42,119,524
Proceeds from Disposal of Local Government and Stat Ag.	16	63,788,539	16,769,042
Proceeds from Disposal of Treasury Bills	16	11,430,402	3,070,657
Proceeds from Disposal of Quoted Shares	16	-	38,009
Proceeds from Disposal of Money Market Securities	16	88,456,207	104,044,204
Proceeds from Disposal of Corporate Bonds	16	2,368,587	35,860,001
Proceeds from Disposal of Collective Investments	16	82,431,079	8,500,000
Net Cash used in Investing Activities		**(128,919,149)**	**(110,676,607)**
Net Increase in Cash and Cash Equivalents		**1,689,250**	**16,649,323**
Cash and Cash Equivalents at 1 January		21,196,443	4,547,120
Net Increase in Cash and Cash Equivalents		1,689,250	16,649,323
Cash and Cash Equivalents at 31 December	6	**22,885,693**	**21,196,443**

The notes on pages 18 to 29 form an integral part of these financial statements.

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 the 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, InvestCorp Asset Management, Intrepid Investment Advisory, Prudential Securities Limited, Black Star Advisors Limited, IC Assets Managers, 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, the Occupational and Personal Pensions (General) Regulations, 2011 (L.I.1990), and comply with the International Financial Reporting Standards (IFRS) and issued by the Board of Trustees on March 31, 2020.

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 the Statement of Changes in Net Assets Available for Benefits, 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 Statement of Changes in Net Assets Available for Benefits as interest income or interest expense, respectively.

b. Dividend Income

Dividend income is recognised in the Statement of Changes in Net Assets Available for Benefits 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. Financial Assets

The scheme classifies its investments into the following categories: financial assets at fair value through profit or loss, and assets at amortized cost. 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. Investment Held at Amortized Cost

Investments held at amortised cost are non-derivative financial assets with fixed or determinable payments and fixed maturity. In determining the classification of financial assets to the above class, two test criteria are applied;

Business model test:

The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).

Cash flow characteristics test:

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The Trustees have assessed the business model of the Pension Scheme and cash flow characteristics of its fixed income investments and elected to classify all fixed income instruments under amortised cost.

c. Initial Recognition of Financial Asset

Purchase and sales of financial assets held at fair value through profit or loss and liabilities are recognized on the date the Trustees commit to purchase or sell the asset. Financial assets are initially recognized at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit or loss.

d. Subsequent Measurement of Financial Asset

Financial Assets classified as fair value through profit or loss are subsequently measured at fair value with the resulting changes recognized in the Statement of Changes in Net Assets Available for Benefits.

e. De-recognition

Financial assets are derecognized when the right to receive cash flows from the financial assets has expired or where the Scheme has transferred substantially all risks and rewards of ownership. Any interest in the transferred financial assets that is created or retained by the Scheme is recognized as a separate asset or liability.
Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expired.

f. Amortized Cost Measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayment, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

g. Identification and Measurement of Impairment

A financial asset or a group of financial assets are impaired using the "expected credit loss" model, where the Trustees calculate the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes.
The Expected Credit Loss Model (ECL) is used in the recognition of impairment losses. The ECL means that on the day an entity recognizes (enters into an investment contract) a financial asset, it has to provide from day 1 credit losses up to 12 months expected credit loss even if the financial assets are not credit impaired. When the issuer's credit risk worsens due to some observed conditions, then a lifetime ECL must be booked.

Objective evidence that financial assets are impaired can include default or delinquency by a debt issuer and other observable data that suggests adverse changes in the payment status of the debt issuer.

The Trustees first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Trustees determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized, are not included in a collective assessment of impairment.

Future cash flows in a group of financial assets that are collectively valuated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the Scheme. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the Statement of Changes in Net Assets Available for Benefits.

h. 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 the Statement of Changes in Net Assets Available for Benefits 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 the Statement of Changes in Net Assets Available for Benefits as the related services are performed.

viii. Comparative Figures

Where necessary the comparative information has been changed to agree to the current year presentation

4. Key Contractors

a. ***Transaction with Trustees/Fund Administrators***

The total Trustees/Administration fees charged during the year amounted to GH¢7,872,504. Included in the payables are Trustee fees of GH¢749,351.

b. ***Fund Managers***

The Trustees of the Scheme appointed Stanlib Ghana Limited, Databank Asset Management, EDC Investments Limited, Intrepid Investment Advisory, Prudential Securities Limited, Black Star Advisors Limited, IC Asset Managers, and InvestCorp Asset Management Limited, 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¢1,868,533. Included in the payables as at 31 December 2019 were fund management fees payable of GH¢176,010.

*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¢1,183,463. Included in the payables as at 31 December 2019 were custodian fees of GH¢112,691.

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 & Cash Equivalents

	2019 GH¢	2018 GH¢
Current & Call Account	22,885,693	21,196,443
	22,885,693	**21,196,443**

7. Investments at Amortized Cost

	2019 GH¢	2018 GH¢
Local Gov. and Stat Ag.	82,647,636	50,425,300
Treasury Bills	4,426,607	1,264,398
Money Markets	24,944,808	48,436,539
Corporate Bonds	44,772,577	41,685,410
	156,791,628	**141,811,647**

8. Investments at FVTPL

	2019 GH¢	2018 GH¢
Gov. Notes/Bonds	457,031,765	302,550,119
Quoted Shares	3,148,750	3,919,476
Collective Investments	2,714,408	28,333,638
	462,894,923	**334,803,233**

9. Trade & Other Receivables

	2019 GH¢	2018 GH¢
Trade Receivable	24,174,915	23,859,439
Contributions Receivable	9,125,020	-
	33,299,935	**23,859,439**

10. Benefits Payable

	2019 GH¢	2018 GH¢
Redemption Payable	1,248,619	518,119
	1,248,619	**518,119**

11. Administrative Expenses Payable

	2019 GH¢	2018 GH¢
NPRA Fees	185,940	143,757
Administrator/Trustees Fees	749,351	579,350
Pension Fund Management Fees	176,010	198,235
Pension Fund Custodian Fees	112,691	87,125
Audit Fees	47,250	41,344
	1,271,242	**1,049,811**

12. Trade & Other Payables

	2019 GH¢	2018 GH¢
Trade Payables	385,710	276,610
	385,710	**276,610**

13. Contributions

	2019 GH¢	2018 GH¢
Contribution Received	92,207,298	75,140,148
Contribution Receivable	9,125,020	-
	101,332,318	**75,140,148**

14. Benefits

	2019 GH¢	2018 GH¢
Lump Sum Benefit	35,319,542	7,971,440
	35,319,542	**7,971,440**

15. Investment Income

	2019 GH¢	2018 GH¢
Interest on Gov. Notes/Bonds	70,385,120	41,978,397
Interest on Local Gov. and Stat. Ag	4,506,907	9,394,515
Interest on Money Market Securities	3,837,122	8,705,445
Interest on Corporate Bonds	8,036,961	10,889,319
Dividend Income	104,146	41,240
Interest on Call Accounts	280,486	800,027
	87,150,742	**71,808,943**

16. Investments and Assets

2019	Bal 1/1/19 GH¢	Purchase at Cost GH¢	Accrued Interest GH¢	Interest Received GH¢	Disposal/ Maturity GH¢	Change in Fair Value GH¢	Value 31/12/19 GH¢
Gov. Notes/Bonds	302,550,119	523,820,655	24,685,234	(16,109,589)	(378,640,439)	725,785	457,031,765
Local Gov.and Stat.	50,425,300	95,379,521	1,222,734	(1,611,029)	(63,788,539)	1,019,649	82,647,636
Treasury Bills	1,264,398	14,231,738	-	-	(11,430,402)	360,873	4,426,607
Money Markets	48,436,538	65,148,772	616,036	(800,331)	(88,456,207)	-	24,944,808
Corporate Bonds	41,685,411	5,031,000	1,530,831	(1,387,674)	(2,368,587)	281,596	44,772,577
Collective Investment	28,333,638	52,386,945	-	-	(82,431,079)	4,424,904	2,714,408
Quoted Shares	3,919,476	35,771	-	-	-	(806,497)	3,148,750
Total Investment	476,614,880	756,034,402	28,054,835	(19,908,623)	(627,115,253)	6,006,310	619,686,551
Trade & Other Receivables	-	-	-	-	-	-	24,174,915
Cash & Cash Equivalents	-	-	-	-	-	-	22,885,693
Total Assets	**476,614,880**	**756,034,402**	**28,054,835**	**(19,908,623)**	**(627,115,253)**	**6,006,310**	**666,747,159**

16. Investments and Assets (Cont'd)

2018	**Bal 1/1/18 GH¢**	**Purchase at Cost GH¢**	**Accrued Interest GH¢**	**Interest Received GH¢**	**Disposal/ Maturity GH¢**	**Change in Fair Value GH¢**	**Value 31/12/18 GH¢**
Gov. Notes/Bonds	192,925,482	176,990,614	16,109,589	(28,871,668)	(42,119,524)	(12,484,374)	302,550,119
Local Gov.and Stat.	47,129,363	18,063,942	1,611,029	(116,930)	(16,769,042)	506,938	50,425,300
Treasury Bills -	-	5,375,552	-	(1,265,665)	(3,070,657)	225,168	1,264,398
Money Markets	91,136,851	64,225,573	800,331	(3,682,013)	(104,044,204)	-	48,436,538
Corporate Bonds	48,002,419	29,355,881	1,387,674	(1,097,346)	(35,860,001)	(103,216)	41,685,411
Collective Investments	7,819,021	27,023,482	-	-	(8,500,000)	1,991,135	28,333,638
Quoted Shares	4,213,029	43,000	-	-	(38,009)	(298,544)	3,919,476
Total Investments	391,226,165	321,078,044	19,908,623	(35,033,622)	(210,401,437)	(10,162,893)	476,614,880
Other Receivables	-	-	-	-	-	-	23,859,439
Cash and Cash Equivalents	-	-	-	-	-	-	21,196,443
Total Assets	391,226,165	321,078,044	19,908,623	(35,033,622)	(210,401,437)	(10,162,893)	521,670,762

17. Administrative Expenses

	2019 GH¢	2018 GH¢
NPRA Fees	1,952,714	1,516,783
Scheme Administrator Fees	7,872,504	6,112,972
Pension Fund Management Fees	1,868,533	1,536,136
Pension Fund Custodian Fees	1,183,463	919,263
Audit Fees	47,250	41,344
	12,924,464	**10,126,498**

18. Net Assets Available for Benefits

2019	**Contributions GH¢**	**Net Investment Income GH¢**	**Total GH¢**
Balance at January 1	344,574,999	175,251,223	519,826,222
Additions	101,332,318	80,041,335	181,373,653
(Deductions)	(35,319,542)	-	(35,319,542)
Prior Year Adjustment	-	7,086,275	7,086,275
Balance at December 31	**410,587,775**	**262,378,833**	**672,966,608**

2018	**Contributions GH¢**	**Net Investment Income GH¢**	**Total GH¢**
Balance at January 1	277,406,291	123,808,664	401,214,955
Additions	75,140,148	51,481,045	126,621,193
(Deductions)	(7,971,440)	-	(7,971,440)
Prior Year Adjustment	-	(38,486)	(38,486)
Balance at December 31	344,574,999	175,251,223	519,826,222

19. 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 2015 (Act 896).

20. Commitments and Contingencies

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

21. Events after the Reporting Period

It is envisioned that the COVID 19 pandemic will most likely have an impact on the economy. Consequently, the Expected Credit Loss (ECL) provision relating to forward-looking information will be impacted. However, the scheme is not able to produce a reliable estimate of this impact at this point.

The trustees are not aware of any other material events that have occurred between the date of the financial statement and the date of approval by the Board of Trustees.

22. Prior Year Adjustment

This relates to contributions receivable for 2018 which was not accounted for in the 2018 Audited Financial Statements.

23. Impairment Loss Allowance

	2019	2018
	GH¢	GH¢
Opening Balance	-	-
Provision made for Edendale Trade Receivable	69,895	-
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Closing Balance	**69,895**	**-**
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