

PETRA OPPORTUNITY PENSIONS SCHEME

ANNUAL REPORT

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31ST 2018

PETRA 
TRUST

Table of Contents

The reports and statements set out below comprise the annual financial statements presented to the trustees:

General Information	2 - 4
Report of Trustees	5 - 12
Trustees responsibilities	13
Independent Auditor's Report	14 - 16
Statement of Net Assets Available for Benefits	17
Statement of Changes in Net Assets Available for Benefits	18
Statement of Movement in Net Assets Available for Benefits	19
Statement of Cash Flows	20
Accounting Policies	21 - 27
Notes to the Annual Financial Statements	28 - 32

Particulars of Service Providers/Advisors

Chair of the Board of Trustees	Kofi Fynn - Representing Petra Trust Company Limited 113, Airport West, Dzorwulu, Accra P.O. Box CT 3194 Cantonments Accra Tel: +233 302 740963 Email: info@petratrust.com
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Pension Fund Managers

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Pension Fund Managers

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Report of the Trustees

To the members of the Petra Opportunity Pension Scheme

Introduction:

The Trustees of Petra Opportunity Pension Scheme ("the Scheme") present their annual Trustee Report together with the Independent Auditor's Report, summary of contributions for the year ended 31st December, 2018 and Financial Statements and explanatory notes prepared in accordance with International Financial Reporting Standards (IFRS).

Establishment, Nature and the Status of the Scheme

The Scheme is a defined contribution scheme 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 Pensions (Amendment) Act, 2014 (Act 883).

The Scheme is a tax exempt pension fund under the Income Tax Act, 2015 (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 Governing Rules approved on 12th November, 2012. Scheme Governing Rules and Trust Deed 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	13,690	7,948	1,348	20,290

II. SUMMARY STATISTICS

Description	Deferred contributions	Transfers In	Transfers Out	Partial Withdrawals	Retirement (Statutory)	Retirement (Early)	Permanent Emigration	Incapacitated members	Death
Numbers	-	31	3	4,657	100	20	10	3	20

Report of the Trustees

To the members of the Petra Opportunity Pension Scheme

Scheme Performance

The Petra Opportunity Pension Scheme generated a net return of 13.89% for the year 2018 (2018 unit price of GHS 3.419242 and 2017 unit price of GHS 3.002237). This performance compared favorably against an annual inflation rate of 9.40% year on year and a cedi depreciation of 9.16% against the US dollar in 2018. The Scheme size grew from GHS 277,555,158 at the beginning of the year to end the year at GHS 387,828,596 representing a growth of 39.73%.

2018 Economic Review

Global economic growth for the most part of 2018 was strong, albeit uneven. While economic growth in the United States remained solid, activity in the Euro area, Japan and the United Kingdom was subdued. However, global growth moderated in the fourth quarter of 2018 amid heightened trade tensions, financial market volatilities and uncertainty about the on-going Brexit negotiations. In emerging and frontier markets like Ghana, growth was marred by external shocks including rising oil prices, higher yields in the United States, the US dollar appreciation, trade tensions and geopolitical conflicts.

Ghana's economy grew by 6.3% in 2018, lower than the robust growth of 8.1% (rebased) witnessed in 2017. Highlights for the year included declining inflation, declining public debt to GDP ratios and low levels of fixed income rates against the backdrop of a stable currency amid the emerging market crises contagion.

Using 2013 as the base year, the Ghana Statistical Service undertook an exercise to rebase the country's GDP following the production of commercial oil. The rebasing process, which provides a more accurate depiction of a country's overall wealth, involved replacing the old base year of 2006 to 2013. The base year is used for compiling the constant price estimates, among others and impacts GDP estimates. With this rebasing, the country's debt to GDP ratio reduced from 65.9% to 57.4%, creating more fiscal space for possible government borrowing. Oil continued as the local driver for economic expansion in 2018 driving industry, sector and overall GDP growth. During the first half of 2018, overall real GDP grew by 5.4% reflecting a slower growth in the oil sector than in 2017. However, it made a comeback in the second half of the year.

The broad disinflationary trend witnessed in 2017 continued with its full vigor throughout the year resulting in a year on year inflation rate of 9.4% as at December 2018 compared to 11.8% in December 2017. However, the government missed its year-end target of 8.9% mainly due to the food basket inflation which recorded a 70 bps increase from its open rate of 8%. Despite the missed target, Ghana, for the first time in 5 years, recorded single digit inflation in April 2018 and remained within the Central Bank's inflation target band of 8+/-2 throughout the rest of the year. This was supported by the relatively tight monetary policy stance maintained throughout the year.

Report of the Trustees

To the members of the Petra Opportunity Pension Scheme

Ghana's extended credit facility program with the International Monetary Fund (IMF) was at the center of the country's fiscal environment throughout 2018 as the program gradually came to an end. The country entered the agreement in April 2015 when a collapse in the local currency caused inflation and debt to soar. The program included targets on debt reduction, a reduction on spending and a clean-up of the financial sector. A reduction in the public debt to GDP ratio to 57.4% (rebased) by end of September 2018, primary budget surplus of 0.5% recorded in September 2018 and the Central Bank's successful recapitalization program with 23 banks meeting the banks' new minimum requirement are a sign that the IMF program was satisfactory. One other outcome of the Central Bank's recapitalization program was the consolidation of seven banks into one bank, Consolidated Bank Ghana Limited.

Credit rating agency S&P Global on September 14, 2018 raised the country's sovereign credit rating from "B-" to "B" with a stable outlook. The main driver behind the upgrade was the measures put in place to stabilize Ghana's banking sector as well as the effectiveness of its monetary policy in supporting the credibility of the country's inflation targeting framework. In addition to the Central Bank's role in maintaining a stable price environment, the Bank of Ghana, in consultation with the Association of Bankers, instituted the reference rate in April last year in an attempt to move towards a more market-based model of base rate setting. The base rate for lending moved from the previous minimum lending rate to the new Ghana reference rate. As at December 2018, this new Ghana reference rate was at 16.61%.

Rates on the Government's short-term instruments rose at the end of the year from an open rate of 13.31% and 13.89% to 14.59% and 15.03% for the 91-day and 182-day Treasury bills respectively. The increase in these rates were as a result of the financing pressures the Government experienced amidst its revenue shortfalls. Other money market rates, including interest rates, received on our investments in fixed deposits, declined on the back of the declining policy rate and the introduction of the reference rate.

The cedi appreciated by 0.01% against the US dollar from the start of the year to May 18, 2018 compared to a depreciation of 0.98% in the same period of last year. Unfortunately, the months afterwards saw the normalization of US monetary policy amid escalating trade tensions, resulting in the strengthening of the US dollar coupled with rising US yield rates which inevitably, weighed in on emerging market assets. A combination of these factors led to tight financing conditions and reverse capital flows in a number of emerging market and frontier economies, including Ghana. These external factors, together with increased demand for foreign exchange from the corporate and energy related sectors, exerted downward pressure on the domestic currency. The Ghana cedi depreciated by 9.16% against the United States dollar in 2018.

Report of the Trustees

To the members of the Petra Opportunity Pension Scheme

The bullish run of the market indices that was pronounced in 2017 continued into the first half of 2018.

Speculative investors took advantage of the continuous appreciation to cash in on their investments. This led to an excess supply which wiped off significant gains of a number of shares. Other events and factors such as uncertainties in the banking sector and the non-declaration of dividends by some of the financial stocks reduced risk taking especially in the second half of the year, weighing negatively on the market indices. The Ghana stock exchange composite index recorded a negative return of 0.29% for 2018 compared to a positive 52.73% in 2017.

The pension's regulator, National Pensions Regulatory Authority, engaged industry players (Trustees, Pension Fund Managers and Pension Fund Custodians) on the status of the industry and communicated its activities for 2019. It highlighted key issues such as recapitalization of Corporate Trustees and full enforcement of Custodian guarantee in order to protect scheme funds.

Portfolio Review

The portfolio generated a net nominal return of 13.89% (2018 unit price of GHS 3.419242 versus 2017 unit price of GHS 3.002237) which is equivalent to a net real return of 4.49% per cent for 2018, primarily as a result of a successful allocation of the portfolio to the different permissible asset classes. The Scheme marginally increased its government bond exposure from 50.86% in 2017 to 52.07% in 2018. The scheme also increased its collective investment allocation from 0.09% in 2017 to 6.54% in 2018. Corporate bond exposure decreased from 16.99% in 2017 to 10.21% in 2018. Similarly, the Scheme's holdings in quoted equity reduced from 2.88% in 2017 to 2.14% in 2018 mainly as a result of poor performance on the exchange. Fixed deposit holdings also reduced substantially from 25.38% in 2017 to 13.68% in 2018.

Economic and Financial Markets Outlook

We expect political stability to remain underpinned by Ghana's strong democratic credentials. Ghana is gradually building industrial capacity. Recent trends have reflected more machinery in the country's import basket. Between 2000 and 2017, the total value of machinery imports increased fourfold, to \$670 million. This fast increase in machinery imports has had a substantial adverse effect on the country's current account balance, but it shows a gradual shift toward industrialization. The Government will prioritize industrialization as a means of job creation and economic growth, but with the introduction of the Fiscal Responsibility Act, this tight fiscal picture will restrain the pace of progress. Headline economic growth will be strong but will be concentrated around the oil and gas sectors. Modernizing agriculture will also be another focus of the government to drive non-oil GDP growth. We hold the view that the consensus GDP growth rate of 7.6% by the IMF and other institutions is attainable for the 2019 fiscal year.

Report of the Trustees

To the members of the Petra Opportunity Pension Scheme

The US Federal reserve board's dovish stance on monetary policy has helped reduce the level of uncertainty that was gradually building up among global investors. With the recent positive job numbers validating the US decision to be patient on policy rate, we do not expect to see much capital outflows on the back of anticipated US rate hikes in the Ghanaian economy this year. However, most foreign portfolios had their books running in the red from hits they received from Argentina and other emerging markets last year. This has caused most of the foreign investors to slow down their flows into frontier markets like Ghana. On the back of these events, we expect a faster depreciation in the first half of 2019 than we saw for the same period last year. We are forecasting our local currency to post a year on year depreciation of no more than 10 +/- 2 percent against the greenback for the year.

Inflation was subdued for the greater part of 2018 mainly as a result of a decline in non-food inflation. It is expected that the inflation numbers for 2019 will continue to remain stable, not falling much from current levels. We believe the Central Bank will be cautious in easing monetary policy further in the short to medium term despite the high real interest rates and the subdued private sector growth even after the cleanup in the banking sector. However, going into 2020, the Central Bank's hint of a possible reduction of the target inflation may require an easing monetary stance. Given the Monetary Policy Committee's view that inflationary threats are well anchored, we predict headline inflation to end the year within government's stated target band.

On the back of a slower depreciation of the cedi, stable price growth and the planned Eurobond issuances, we anticipate a gradual drop in yields towards the end of 2019.

Following the recapitalization of banks, we expect financial stocks to lead the resurgence of the equity market performance for the year ahead. We are anticipating robust corporate earnings and positive investor sentiment after a bearish run in 2018. Targeted positions in stocks with attractive valuation multiples will be profitable for our portfolios in the short to medium term.

Nevertheless, volatile energy and financial sectors, utility and oil prices as well as the uncertainty surrounding fiscal discipline after the IMF bailout program ends in April 2019 pose key risks to this outlook.

2019 Portfolio Strategy

Our outlook on general economic and financial market performance in 2019 leads us to the following portfolio strategy:

- Take positions in debt securities to cushion shocks as well as capitalize on gains.
- 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 rewarding risk factor exposures.
- Seek diversification into the alternative asset class space for investments with less correlated returns to fixed income.

Report of the Trustees

To the members of the Petra Opportunity Pension Scheme

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 for better investment performance while mitigating risk. In addition, we will continue with the on-going initiative to ensure the delivery of quality services and convenience for scheme members through an improved members' portal, data validation process and a better customer service experience.

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). We confirm that there has been full compliance with prohibitions on investments which include but are not limited to, use of Pension Fund assets as collateral, investing outside maximum allowable limits, investing outside the scope of assets stipulated by the Investment Guidelines and investing in securities issued by any issuer for which there exist a conflict of interest.

(ii) Investment Allocation

Asset type	Maximum Allocation	Actual Allocation	Investment Income earned	2018	2017
				Year end Value	Year end Value
			GHS	GHS	GHS
Government Securities	60%	52 %	25,655,366	184,611,362	101,306,389
Corporate Bonds	35%	10 %	9,947,781	36,199,477	46,041,234
Money Market Securities	35%	14 %	10,121,811	48,513,042	69,383,474
Quoted Equity	20%	2 %	634,437	7,588,037	7,804,334
Collective Investments	15%	7 %	-	23,194,350	246,884
Local Government Securities	15%	10 %	5,646,877	35,321,778	36,540,458
Alternative Investment	15%	0 %	-	114,409	-
Cash	-	5 %	997,998	18,983,721	12,061,157
TOTAL	-	100 %	53,004,270	354,526,176	273,383,930

Financials

The Statement of Changes in Net Assets Available for Benefits as presented on page 18 shows an increase in Net Assets available for benefits for the year of GHS 110,273,438 (GHS 115,289,226 for the previous financial year) and the Statement of Net Assets Available for Benefits on page 17 shows the Scheme's Net Assets as at 31st December, 2018 amounting to GHS 387,828,596 (GHS 277,555,158 for the previous financial year).

Report of the Trustees

To the members of the Petra Opportunity Pension Scheme

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	2018	2017
			Amount	Amount
	% p.a	% p.a	GHS	GHS
NPRA Fees	0.33	0.33	1,081,611	680,434
Trustee/Administrator Fees	1.33	1.08	4,289,019	2,681,056
Pension Fund Custodian Fees	0.28	0.24	786,626	494,861
Pension Fund Manager Fees	0.56	0.35	1,101,499	696,931
Audit Fees	-	-	27,956	18,000
Total	2.5	2	7,286,711	4,571,282

Trustees

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

License Number	Name	Position	Date of appointment	Date of exit
NPRA/MTPFS/12010/ 15450	Daniel Gyapanin	Member Nominated Trustee	August 2015	-
NPRA/MTPFS/12010/ 15226	Kweku Brenu	Independent Trustee	August 2016	-
NPRA/MTPFS/12010/ 15313	Kofi Fynn	Board Chairman	November 2012	-

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) and the Occupational and Personal (General) Regulations, 2011 (L.I. 1990), Regulations made under it, Guidelines and Board Directives that have been issued.

Report of the Trustees

To the members of the Petra Opportunity Pension Scheme

Auditor

Intellisys (Chartered Accountants) have been Auditor of the Scheme since 2013 and have expressed their willingness to continue in office as Auditors of the Scheme.

For and on behalf of the Board of Trustees

MR. KWEKU BRENU
.....

Name


.....

Signature

25TH APRIL 2019
.....

Date

MR. DANIEL GYAPANIN
.....

Name


.....

Signature

25TH APRIL 2019
.....

Date

Statement of Trustees' Responsibilities

For the year ended 31 Decemer 2018

The National Pensions Act, 2008 (Act 766) and the National Pensions (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 Pensions (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 judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by 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). The Trustees assert that the financial statements give a true and fair view of the state of the financial affairs of Petra Opportunity Pension Scheme.

Independent Auditor's Report

To the Members of Petra Opportunity Pension Scheme

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Petra Opportunity Pension Scheme, which comprise the statement of Net Assets Available for Benefits as at December 31, 2018, and the Statement of Changes in Net Assets Available for Benefits, Statement of Movement in Net Assets Available for Benefits and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Scheme as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

This section of our auditor's report is intended to describe the matters selected from those communicated with the Trustees that, in our professional judgement, were of most significance in our audit of the financial statements. We have determined that there are no such matters to report.

Independent Auditor's Report

To the Members of Petra Opportunity Pension Scheme (Continued)

Other information

Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Trustees and Those Charged with Governance for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Trustees either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- 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.

Independent Auditor's Report

To the Members of Petra Opportunity Pension Scheme (Continued)

- Conclude on the appropriateness of trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Scheme to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Scheme's audit. We remain solely responsible for our audit opinion.

We communicated 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.

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- (i) 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.
- (ii) In our opinion proper books of accounts have been kept by the Scheme so far as appears from our examination of those books, and
- (iii) The Statement of Net Assets Available for Benefits (Balance Sheet) and statement of comprehensive Income (Profit and Loss account) are in agreement with the books of accounts.

The engagement partner on the audit resulting in this independent auditor's report is Theresa Ampadu-Boateng(ICAG/P/1050).



Intellisys - (ICAG/F/2019/078)
Chartered Accountants
No. 2 Lardzeh Crescent, North
Dzorwulu

Dated: **25TH APRIL**, 2019

Statement of Net Assets Available for Benefits
as at 31 December 2018

Figures in GHS	Note(s)	2018	2017
Assets			
Held to Maturity Investments	4	116,316,931	140,280,062
Trade and other receivables	5	53,298,898	25,017,668
Cash and cash equivalents	6	18,983,721	12,061,157
Available for Sale	7	182,811,854	103,177,474
Fair Value through Profit and Loss	8	23,308,759	246,884
Total Assets		<u>394,720,163</u>	<u>280,783,245</u>
Liabilities			
Administrative expenses payable	10	786,985	547,364
Benefits payables	11	6,064,975	2,662,493
Trade payables	12	39,607	18,230
Total Liabilities		<u>6,891,567</u>	<u>3,228,087</u>
Total Assets less Liabilities		<u>387,828,596</u>	<u>277,555,158</u>
Represented By:			
Net Assets Available for Benefits		<u>387,828,596</u>	<u>277,555,158</u>

The financial statements on pages 17 to 32 were approved by the Trustees on **25TH APRIL**, 2019 and were signed on their behalf by:

MR. KWEKU BRENU

Name



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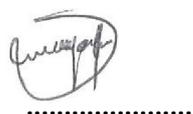
Signature

25TH APRIL 2019

Date

MR. DANIEL GYAPANIN

Name



.....

Signature

25TH APRIL 2019

Date

Statement of Changes in Net Assets Available for Benefits
 For the year ended 31 December 2018

Figures in GHS	Note(s)	2018	2017
Description			
Dealings with Members			
Contribution	13	138,069,004	115,920,895
Less: Benefits	14	(65,592,963)	(42,386,066)
A: Net Additions from Dealings with Members		72,476,041	73,534,829
<u>Return on Investments</u>			
B. Investment Income	15	53,004,269	41,905,008
C: Net Gain/(Loss) on Investments	16	(7,920,162)	4,420,671
D: Administrative Expenses	17	(7,286,711)	(4,571,282)
Increase In Net Assets for the year (A+B+C+D)		110,273,438	115,289,226

Statement of Movement in Net Assets Available for Benefits
 For the year ended 31 December 2018

Figures in GHS	2018	2017
Description		
Net assets available for benefits as at 1st January	277,555,158	162,265,932
Increase in Net Assets For The Year.	110,273,438	115,289,226
Net assets available for benefits as at 31st December	387,828,596	277,555,158

Statement of Cash Flows
For the Year Ended 31 December 2018

Figures in GHS	Note(s)	2018	2017
Cash flows from operating activities			
Increase in Net Assets for the year		110,273,438	115,289,226
<i>Adjustments for:</i>			
Investment income	15	<u>(53,004,270)</u>	<u>(41,905,008)</u>
Operating cash flow before working capital changes		57,269,168	73,384,218
<i>Adjustment for:</i>			
<i>Loss/(Gain) on maturities and disposals</i>	16	1,136,517	(864,650)
<i>Changes in net market value of investment</i>	9a	6,783,645	(3,556,021)
Increase in trade and other receivables		(32,794,672)	(13,338,925)
Increase in trade and other payables		3,663,480	1,743,284
Net cash from operating activities		<u>36,058,139</u>	<u>57,367,906</u>
Cash flows from investing activities			
Purchase of Alternative Investment	9a	(104,636)	
Purchase of Treasury Bills	9a	-	(2,216,039)
Purchase of Quoted Equity	9a	(557,479)	(433,860)
Purchase of Money Market Securities	9a	(135,528,072)	(66,295,737)
Purchase of Government Bonds	9a	(146,071,011)	(87,329,363)
Purchase of Corporate Bonds	9a	(26,534,603)	(28,717,854)
Purchase of Collective Investments	9a	(27,468,953)	(9,005,769)
Purchase of Local Government Bonds	9a	(34,632,332)	(47,645,397)
Proceeds from disposal of Treasury Bills	9b		28,139,526
Proceeds from disposal of Quoted Equity	9b	21,882	280,219
Proceeds from disposal of Money Market Securities	9b	157,732,849	56,634,977
Proceeds from disposal of Government Bonds	9b	63,535,377	24,727,431
Proceeds from disposal of Corporate Bonds	9a	37,876,276	17,970,717
Proceeds from disposal of Collective Investments	9b	5,399,716	12,642,264
Proceeds from disposal of Local Government Bonds	9a	37,296,052	12,298,154
Dividend income	9a	634,437	261,465
Interest income on investment	9a/15	39,264,922	41,643,543
Net cash utilised in investing activities		<u>(29,135,575)</u>	<u>(47,045,723)</u>
Increase in cash and cash equivalents		6,922,564	10,322,183
		12,061,157	1,738,974
Cash and cash equivalents at end of the year	6	<u>18,983,721</u>	<u>12,061,157</u>

Accounting Policies

1. General information

Petra Opportunity Pension Scheme is a private pension master trust scheme registered in Ghana under the National Pensions Act 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883). The Scheme is permitted by its deeds to carry on, inter alia, the business of establishing a Master Trust Scheme for individuals operating in Ghana. The address of the registered office of the Scheme is 113 Airport West, Dzorwulu, Accra - Ghana.

2. Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are set out below.

2.1 Statement of Compliance

The Financial Statements of the Scheme have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and in compliance with the National Pensions Act 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883), the Occupational and Personal (General) Regulations (L.I. 1990) and relevant Guidelines.

2.2 Basis of Measurement

The Financial Statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments. The actuarial value of pensions and other future benefits of the Scheme are not applicable to the Financial Statements.

2.3 Functional and Presentation Currency

The Financial Statements are prepared in Ghana Cedis (GHS) which is the Scheme's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of changes in net assets.

2.4 Contributions

Contributions are recognised in the period in which they fall due. The Contributions are in compliance with rates as per the National Pensions Act, 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Scheme Governing Rules. Contributions receivable are accrued for one year after they fall due. All outstanding contributions beyond one year is written off from the accounts.

2.5 Benefits

Benefits are recognised in the period in which they fall due. Benefits represent all valid benefit claims paid/ payable during the year in compliance with the National Pensions Act, 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and the Scheme Governing Rules.

Accounting Policies

2.6 Investment Income

Investment income, which is recorded on an accrual basis, includes interest income, dividends and pooled fund distributions.

2.7 Dividends

Dividend Income from investments is recognised when the shareholders' right to receive payment has been established.

2.8 Financial Assets

The Trustees determine the classification of Financial Assets of the Scheme at initial recognition.

Financial Assets are classified as follows:

a. Financial Assets at fair value through Profit or Loss

A Financial Asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

i. Held for Trading

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing in the near future; or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

ii. Designated at Fair Value through Profit or Loss

Upon initial recognition as financial asset or financial liability, it is designated by the Trustees at fair value through profit or loss except for investments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

b. Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c. Available-for-Sale Financial Assets

Available-for-Sale financial assets are non-derivative financial assets that are designated on initial recognition as available for sale and are held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

d. Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Trustees have the positive intention and ability to hold to maturity.

e. Initial Recognition of Financial Asset

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

Accounting Policies

f. Subsequent Measurement of Financial Asset

Available for Sale financial assets are subsequently measured at fair value with the resulting changes recognised in Statement of Comprehensive Income. The fair value changes on available for sale financial assets are recycled to the Statement of Changes in Net Assets when the underlying asset is sold, matured or derecognised. Financial Assets classified as fair value through profit or loss are subsequently measured at fair value with the resulting changes recognised in the Statement of Changes in Net Assets.

g. Derecognition

Financial assets are derecognised 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 recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

h. Amortised Cost Measurement

The amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

i. Identification and Measurement of Impairment

The Trustees assess at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occur after the initial recognition of the asset, and that loss event has an impact on the estimated future cash flows of the financial asset, or group of financial assets that can be reliably estimated.

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. Impairment losses on available for sale financial assets are recognised by transferring the difference between the acquisition cost and the current fair value out of Net Assets in the Statement of Changes in Net Assets available for benefits.

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 recognised, are not included in a collective assessment of impairment.

Accounting Policies

Future cash flows in a group of financial assets that are collectively valued 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 recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Changes in Net Assets.

Impairment losses on Available-for-Sale financial assets are recognised by transferring the difference between the amortised acquisition cost and current fair value out of Net Assets to the Statement of Changes in Net Assets. When a subsequent event causes the impairment loss on an Available-for-Sale financial asset to decrease, the impairment loss is reversed through the Statement of changes in net assets. However, any subsequent recovery in the fair value of an impaired Available-for-sale financial asset is recognised directly in Net Assets.

2.9 Provisions

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where the obligation is expected to be settled over a period of years, the provision is discounted using a discount rate appropriate to the nature of the provision.

2.10 Cash and Cash Equivalents

Cash and cash equivalents as referred to in the Cash Flow Statement comprises, current and call accounts with banks.

2.11 Financial Risk Management, Objectives and Policies

The Scheme has exposure to the following risks from its use of financial instruments:

- Asset/Portfoli/Credit risk
- Liquidity risk
- Market risk
- Interest Rate risk
- Operational risk
- Currency/Foreign Currency Exchange Rates

This note presents information on the Scheme's exposure to each of the risks, the Scheme's objectives, policies and processes for measuring and managing risk.

Accounting Policies

Risk Management framework

The Trustees have overall responsibility for the establishment and oversight of the Scheme's Risk Management framework.

The Scheme's Risk Management policies are established to identify and analyse the risks faced by the Scheme, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Trustees, through the standards and procedures aims to develop a disciplined and constructive control environment, in which all Trustees understand their roles and obligations.

The Trustees are responsible for monitoring compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Scheme.

(a) Asset/Portfolio/Credit Risk

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

The Fund'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 fund either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due. The fund'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.

Accounting Policies

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Fund'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 Fund 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 Fund'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 Fund 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.

3. Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Accounting Policies

3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.2 Fair value of Financial Instruments

The framework for measuring fair value provides a fair value hierarchy that prioritise the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under IFRS 13 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Scheme can access at the measurement date.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Input to the valuation methodology are unobservable and significant to the fair value measurement.

3.3 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the Annual Financial Statements

Figures in GHS

	2018	2017
4. Held to Maturity Investments		
Corporate Bonds	34,808,869	44,494,510
Money Market Securities	47,178,697	60,079,025
Local government and statutory securities	34,329,365	35,706,527
	<u>116,316,931</u>	<u>140,280,062</u>
5. Trade and other receivables		
Contributions receivable	11,536,013	7,381,802
Interest Receivable - Government Bonds	9,387,545	5,933,249
Interest Receivable - Corporate Bonds	1,390,608	1,546,724
Interest receivable - Local Government Securites	992,413	833,931
Interest Receivable - Money Market Securities	1,334,345	9,304,449
Other Receivables	28,657,975	17,513
	<u>53,298,900</u>	<u>25,017,668</u>
6. Cash and cash equivalents		
This represents balance on the Scheme's Current and Call accounts held with Stanbic Bank Ghana limited at the end of year 2018 of GHS 18,983,721 (2017:GHS12,061,157)		
7. Available for Sale		
Quoted Equity	7,588,037	7,804,334
Government Bonds	175,223,817	95,373,140
	<u>182,811,854</u>	<u>103,177,474</u>
8. Fair Value through Profit and Loss		
Alternative Investment	114,409	-
Collective Investments	23,194,350	246,884
	<u>23,308,759</u>	<u>246,884</u>

Notes to the Annual Financial Statements

Figures in GHS

2018

2017

9. Investments

9.a. Analysis of change in Investments

Financial Instruments	Opening Balance	Purchases at cost	Accrued Interest	Dividend/ Interest received	Disposals/ Maturities at Cost	Change in Value	Value at the Year end
	GHS	GHS	GHS	GHS	GHS	GHS	GHS
Quoted Equities	7,804,334	557,479	-	634,437	22,325	(751,451)	7,588,037
Money Market Securities	69,383,474	135,528,072	1,334,345	8,787,466	157,732,849	-	48,513,042
Government Bonds	101,306,389	146,071,011	9,387,545	16,267,821	65,334,077	(6,819,506)	184,611,362
Corporate Bonds	46,041,234	26,534,602	1,390,608	8,557,173	37,876,276	109,308	36,199,477
Local Government Securities	36,540,458	34,632,332	992,413	4,654,464	37,296,052	452,628	35,321,778
Collective Investments	246,884	27,468,953	-	-	4,737,090	215,603	23,194,350
Alternative Investment	-	104,636	-	-	-	9,773	114,409
Total	261,322,773	370,897,085	13,104,911	38,901,361	302,998,669	(6,783,645)	335,542,455

Notes to the Annual Financial Statements

Figures in GHS

	2018	2017
9.b. Proceeds from Disposal/Maturity of Investments		
	Disposals GHS	Maturities GHS
		Total GHS
Quoted Equities	21,882	-
GoG Bonds		63,535,377
Money Market Securities		157,732,849
Collective Investments		5,399,716
	21,882	226,667,942
		226,689,824
10. Administrative Expenses Payable		
Other Payables - Withholding tax on fees	37,206	25,533
Audit Fees Payable	24,806	18,000
NPRA Fees Payable	105,230	75,254
Trustee Fees Payable	424,669	296,956
Fund Manager Fees Payable	118,543	76,891
Custodian Fees Payable	76,531	54,730
	786,985	547,364
11. Benefits Payable		
Benefits payable	4,636,895	1,767,344
Withholding tax payable on benefits	1,428,080	895,149
	6,064,975	2,662,493
12. Trade Payable		
Trade payable	39,607	18,230
13. Contributions		
Contributions received	126,532,991	108,539,093
Contributions receivable	11,536,013	7,381,802
	138,069,004	115,920,895
14. Benefits		
Lump sum benefit paid	60,956,068	40,618,722
Lump sum benefits payable	4,636,895	1,767,344
	65,592,963	42,386,066

Notes to the Annual Financial Statements

Figures in GHS

2018

2017

15. Investment Income

An analysis of income is as follows:

Interest on Government Bonds	25,655,366	15,400,174
Dividend Income	634,437	261,465
Interest on Corporate Bonds	9,947,781	8,510,871
Interest on Treasury Bills	-	2,544,018
Interest on Money Market Securities	10,121,811	13,571,676
Interest income on Local Government Securities	5,646,877	1,143,354
Interest on investments	52,006,272	41,431,558
Interest on Call Account	997,998	473,450
	53,004,270	41,905,008

16. Gains/ (losses) on investment

Gain in Valuation of Local Government Bonds	452,628	359,284
(Loss)/Gain in Valuation of Quoted Equity	(751,451)	3,032,583
(Loss)/Gain on Disposal of Government Bonds	(1,798,700)	206,174
Gain in Valuation of Collective Investments	215,603	47,623
Gain in Valuation of Corporate Bonds	109,308	71,061
Gain in Valuation of Alternative Investment	9,773	-
Loss on Disposal of Quoted Equity	(443)	(239,599)
Gain on Disposal of Collective Investments	662,626	898,075
(Loss)/Gain in Valuation of Government Bonds	(6,819,506)	45,470
	(7,920,162)	4,420,671

17. Administrative Expenses

Audit Fees	27,956	18,000
NPRA Fees	1,081,611	680,434
Trustee Fees	4,289,019	2,681,056
Fund Manager Fees	1,101,499	696,931
Custodian Fees	786,626	494,861
	7,286,711	4,571,282

18. Tax

Under Section 89 (1) of the National Pensions Act, 2008 (Act 766), the National Pensions (Amendment) Act, 2014 (Act 883) and Income Tax Act 2015 (Act 896) as amended, the Scheme is exempt from taxation.

19. Commitments and Contingencies

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

20. Event after the balance sheet date

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.

Notes to the Annual Financial Statements

Figures in GHS

2018

2017

21. Related party transactions

Petra Opportunity Pension Scheme pays its Administrator (Petra Trust Company Limited) management fees. Details of the fees are as follows;

<u>Name</u>	<u>Relationship</u>	<u>Transactions</u>	Amounts owed to the related party at year-end			
			<u>2018</u> GHS	<u>2017</u> GHS	<u>2018</u> GHS	<u>2017</u> GHS
Petra Trust Company Limited	Administrator	Management fees	4,289,019	2,681,056	424,669	296,956



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