

CEDAR PROVIDENT FUND

2017 ANNUAL REPORT



AXIS PENSION TRUST

... Your reliable partner in Pensions

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SCHEME INFORMATION

SPONSORING TRUSTEE

Axis Pension Trust Ltd.
#4 Ibadan Avenue
East Legon
Accra.

BOARD OF TRUSTEES

- Afriyie Oware
- Robert Marshall Bennin
- Simon Komla Agbenyegah Ayivi
- Daniel Kwasi Sarpong
- Paa Kwesi Morrison
- Ivy Naa Odey Hesse

FUND MANAGERS

Databank Asset Management
Services Ltd.
#61 Barnes Road
Adabraka, Accra.

STANLIB Ghana Ltd.
Stanbic Height, Plot 215
South Liberation Link
Airport City, Accra.

Omega Capital Ltd.
The Alberts, # 23 Kanda Estates
Kanda, Accra.

FUND CUSTODIANS

Zenith Bank (Ghana) Limited
Premier Towers, Liberia Road
PMB CT 393, Cantonments
Accra.

AUDITORS

John Kay & Co
7th Floor, TrustTowers
Farrar Avenue, Adabraka
Accra.

CHAIRMAN'S REMARKS

On behalf of the Board of Trustees, it is my privilege to bring to you the fifth Annual Report of Cedar Provident Fund. The 2017 Annual Report reviews the economy and highlights the scheme's administrative, investment and financial operations during the year under review.

January 2017 saw another successful power transition from one political party to another in Ghana's multi-party democratic era. This marks the third successful interparty transfer of power under the fourth republican constitution. This positive political headwind, years of fiscal consolidation and prudent economic management, led to an improved economic performance in 2017. GDP grew by 8.5% in 2017, with Debt to GDP reducing to 69.8% - in 2017 - from 73.3% at end of December 2016. With the economy expanding in 2017, there were notable improvements in key macro-economic indices. From a high of 15.4% at the beginning of 2017, inflation continued to trend downward to 11.8% at the end of December 2017. A single digit inflation for year end 2018 is projected by government. In line with government's short-to-medium term objective of correcting interest rates along the yield curve and thereby aligning the duration of government projects with funding, we saw the 91Day, 182Day Treasury Bills and the 1Yr Treasury Note drop from 16.45%, 17.64% and 21%, respectively at the beginning of 2017 to 13.35%, 13.88% and 15.00%, respectively, by the end of the year.

Government issued a number of long dated bonds; the most significant being the Energy Sector Levy Act (ESLA) bond to settle outstanding public indebtedness to some financial institutions. The total amount raised through the initial 7Year and 10Year bond issuance fetched GH¢4.7billion of the GH¢10billion needed. The outstanding amount is expected to be raised in 2018 through the same vehicle. Clearing these legacy debts should improve the balance sheets of the banking sector.

The year under review was full of important landmark monetary policy decisions and activities. The Bank of Ghana took the extraordinary action of revoking the operating licenses of two indigenous banks; UT Bank and Capital Bank, for capital impairment reasons. UT Bank was subsequently delisted from the Ghana Stock Exchange. Another important monetary policy activity was the announcement by the central bank to increase the minimum capital requirement for commercial banks from GH¢120-million to GH¢400million by end of 2018. This move sparked speculations of possible mergers and acquisitions within the banking sector in 2018. Many analysts have applauded the policy shift and suggested that it will usher the nation into an era of strong and financially sound banking sector able to undertake high-ticket transactions for economic expansion. The central bank also reduced the Monetary Policy Rate (MPR) by some 550 basis points (from 25.5% in January to 20% in November) within 2017 alone.

Cedar Provident Fund benefited from the Trust's strategic decision to concentrate investments on the long end of the yield curve when the Trust saw that the high short-term rates at the beginning of 2017 were not sustainable. Largely driven by its fixed income holdings, the Growth, Moderate and Capital Preservation investment bundles posted 20.20%, 20.12% and 19.94% full year returns, respectively. The scheme therefore out-performed inflation by an average of 8.3% across the three retirement plans, during 2017. The Trust is committed to its key investment objective of delivering positive real returns for our members from year to year.

Following revisions in guidelines for investing pension funds' assets by the National Pensions Regulatory Authority (NPRA) earlier in 2017, the Board of Trustees of your scheme also revised the scheme's Investment Policy to accommodate the new and exciting asset classes introduced by the regulatory review. Alternative investment asset classes have been introduced to complement the more traditional asset classes. The object of the regulatory revision is to make pension funds impact more positively on the Ghanaian economy by allowing for investments in infrastructure and other critical areas of economic development. The scheme intends to take full advantage of the wider investment horizon for improved returns to members.

On behalf of the Board of Trustees, I thank all participating employers and scheme members for their support in the successful management and administration of Cedar Provident Fund in 2017.



Afriye Oware
Chairman, Board of Trustees.

FUND ADMINISTRATION REPORT

Governance

Cedar Provident Fund is registered under the National Pensions Act, 2008 (Act 766) as amended in the National Pensions (Amendment) Act, 2014 (Act 883) and Occupational and Personal Pensions Scheme (General) Regulations 2011, L.I 1990 as a third tier provident fund to supplement retirement savings of members. The scheme is tax-qualified (up to 16.5% of members' basic salaries

contributed are tax-deductible) and runs under a Trust Deed and Scheme Rules. Axis Pension Trust Limited is the scheme sponsor. Cedar is run by a six-member Board of Trustees (the "Trust"). It is the responsibility of the Trust - membership of which is listed below - to formulate investment policies for, and supervise, the day-to-day management of the scheme:

#	Trustee	Designation
1	Afryie Oware	Chairman
2	Robert Marshall Bennin	Member
3	Simon Komla Agbenyegah Ayivi	Member
4	Daniel Kwasi Sarpong	Member-Nominated
5	Paa Kwesi Morrison	Member-Nominated
6	Ivy Naa Odey Hesse	Independent Trustee

Membership of the Scheme

Cedar Provident Fund is purely a voluntary third tier scheme for employees of participating establishments. An institution becomes a participant by completing enrolment forms and submitting same to Axis Pension Trust Ltd. The table below shows the scheme's membership over the past three years:

	2017	2016	2015
Members as at 1st January	4,427	3,369	2,523
Joiners	1,703	1,494	883
Leavers	563	436	37
Members as at 31st December	5,567	4,427	3,369

Member Contributions, Vesting of Benefits, Payments & Transfers

The exact amount contributed into this scheme is based on the collective bargaining agreement between employees and their respective employers. As stated earlier, up to 16.5% of members' basic salaries contributed into Cedar Provident Fund are tax-free. Members' contributions and accrued benefits vest in members in accordance with the vesting conditions set by their employers. Withdrawals made before the tenth anniversary of first contribution, and before retirement, attract applicable taxes to Ghana Revenue Authority (GRA). Scheme members exiting for reasons other than retirement are encouraged to consider transferring their benefits to other qualified provident fund schemes in order to enjoy full tax benefits. Members of Cedar who joined from previous employers can transfer their accumulated contributions and accrued benefits from their previous employers' provident fund into this scheme.

Retiring members may also transfer their provident fund benefits into personal pension schemes and/or annuity plans. Scheme members should contact their employers' HR department or Axis Pension Trust for assistance on transfers and benefit payments.

Financial Highlights

Highlighted in the table below are some important scheme statistics over the past years:

Activity/Asset Type	2017 (GH¢)	2016 (GH¢)	2015 (GH¢)
Contributions	27,830,568	26,877,338	14,162,457
Benefits Paid	19,778,455	5,829,919	2,901,523
Net Investment Income	13,765,927	9,603,099	5,648,452
Assets under Mgt.	90,963,837	67,140,670	36,453,840

Member Communication

Scheme information is disseminated through scheme brochures, fund fact sheets and periodic emails. Members who wish to know more about Cedar Provident Fund are advised to contact the office of their employers' HR department for copies of scheme brochures; information guide designed to educate members about retirement planning and the rules guiding this scheme. Axis Pension Trust circulates quarterly fund fact sheets and puts same on the company's website at the end of each quarter. Key contact persons within the HR offices of participating employers could be contacted for copies of the fact sheets.

Access to Benefit Statements

Scheme members have a 24-hour online access to their benefit statements via the link <https://cap.axispension.com/crm/member>. Members may use their SSNIT numbers or their Cedar Provident Fund account numbers to log onto the platform and view or print their account transactions. All participants are encouraged to take advantage of this platform to update themselves with the growth and performance of their retirement savings.

INVESTMENT REPORT

Economic & Market Overview

Global economic activities strengthened in 2017, with growth expected at 3.6% buoyed by growth in the USA, the Euro area, Japan, emerging Asia and Russia. Growth in sub-Saharan Africa is also slowly improving although expected growth rate of 2.6% remains relatively subdued. The relative modest recovery in sub-Saharan Africa growth has mainly been driven by improvements in the three large economies of Nigeria, South Africa and Angola.

Economic growth on the domestic front rebounded significantly, with GDP ending 2017 at 8.5%. Data from Ghana Statistical Services show that the economy grew by 9.3% in the third quarter, up from 9.0% and 6.6% in the second and first quarters of 2017, respectively. Non-oil GDP growth was 5.9% in the third quarter, up from the 3.9% recorded in Q1-2017.

External sector developments for 2017 were very strong. Trade account recorded a surplus of US\$1.1 billion (2.3% of GDP) compared with a trade deficit of US\$1.8 billion (4.2% of GDP) in December 2016. This was driven mainly by higher export receipts from commodities like oil, cocoa and gold. Consequently, Gross International Reserves (GIR) stood at US\$7.6 billion (4.3 months of import cover) compared to US\$6.2 billion (3.5 months of import cover) in December 2016. The effect is a relatively stable domestic currency performance. Overall, the cedi depreciated against the US dollar by 4.9% year-on-year, compared with 9.7% in 2016. This marks the strongest performance since 2011. The local currency however depreciated by 21% and 15.7% against the Euro and the British pound respectively.

There were also deliberate attempts by Government at extending the yield curve maturities with the issuance of the first ever 15Yr domestic bond with a face value of GH¢3.42 billion in March 2017 and another GH¢3.58 billion in 10Yr bond. Government's bond re-profiling strategy led to significant increase in new issuances of long term (5-10years) papers via tap transactions in 2017. Thus, the proportion of short dated instruments declined from 37.6% in December 2016 to 23.1% in November 2017. Activities in the fixed income market were further buoyed by the issuance of long term bond by ESLA PLC to pay down energy sector debt arrears. The ESLA PLC realized GH¢2.42 billion from the sale of 7Yr bond at a yield of 19.00% and a further GH¢2.29 billion 10Yr bond at a cut-off yield of 19.5%.

The equities market rallied throughout 2017. The GSE-CI returned 52.7% in local currency price terms with the second half of the year contributing 36.39% to total return. The market's bullish performance follows a bearish return of minus 12% and minus 15% in 2015 and 2016, respectively.

Investment Policy

Cedar Provident Fund is an umbrella provident fund scheme made up of three retirement plans underlined by segregated asset class-based constituent fund portfolios, namely; Equity, Bond Fund and Money Market Constituent Funds. This strategy is designed to improve investment returns within an asset class and to optimize efficiency in management of assets. Cedar is managed to provide stable investment returns, that are commensurate with investment risk on constituent asset classes of the portfolio and to achieve positive real returns over a 5-year period, that exceeds the returns on the benchmark relative portfolio. Assets of the scheme are invested with cognisance to liquidity constraints and the objective of providing timely cash flow to meet anticipated payment obligations. Below is the strategic global asset allocation and benchmark of the scheme:

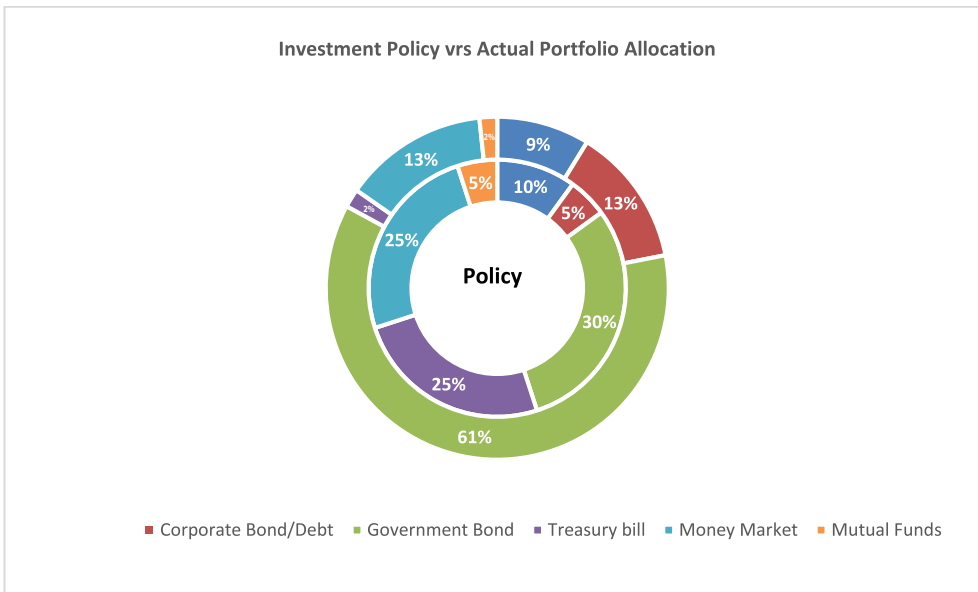
Securities	Benchmark	Permitted Ranges (%)
Equity	10%	< 10%
Corporate Bond/Debt	5%	< 5%
Government Bonds	25%	10% - 30%
Treasury Bills and Notes	25%	< 65%
Other Money Market	30%	0% - 35%
Mutual Funds	5%	0% - 5%

Portfolio Execution

The scheme's fixed income managers took more investment positions in longer-dated fixed income securities in order to lock-in at the then high interest rates at that segment of the market, when interest rates were expected to fall. Managers took advantage of key primary issues like the ESLA Plc bond and other long dated government securities, as well as some secondary market trade opportunities. This scheme has therefore been strategically positioned to enjoy relative high returns, even after sustained drops in interest rates. Overall, Cedar's assets remain heavily invested in fixed income securities. Total return is consequently influenced by performance of fixed income. That notwithstanding, Cedar Provident Fund invested in some listed equities with good fundamentals and generally benefited from the great outturn of the general equities market. The table below shows the quarterly positioning of the scheme in 2017:

		Q1-2017	Q2-2017	Q3-2017	Q4-2017
Asset Class	Equity	5,451,256	5,959,190	6,399,507	7,070,558
	Corporate Bond/Debt	6,797,024	6,523,210	7,887,454	10,578,253
	Government Bonds	37,161,613	40,769,766	42,912,421	49,153,731
	Treasury Bills and Notes	3,323,173	-	4,881,310	1,407,308
	Money Market	17,015,975	19,690,016	16,969,653	10,994,295
	Mutual Funds	2,207,564	2,299,740	2,715,683	5,573,073

Investment Policy & Portfolio Allocation



Investment Management Arrangement

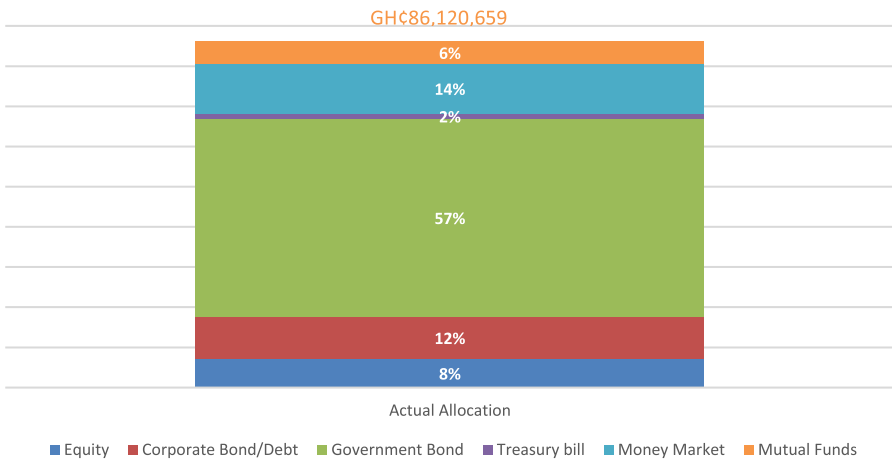
Portfolio value includes cash and tactical allocation at the balance sheet date. The arrangements for segregated management of the scheme's assets, as at December 31, 2017, are set out below:

Constituent Fund	Fund Manager	Market Value (GH¢)	% of the Fund
Bond Constituent Fund	Databank	35,374,756.82	41.31%
Money Market Constituent Fund	Stanlib Ghana Ltd	33,857,968.22	39.31%
Equity Constituent Fund	Omega Capital Ltd.	16,687,933.96	19.38%

Allocation by Constituent Fund (Dec. 31, 2017)



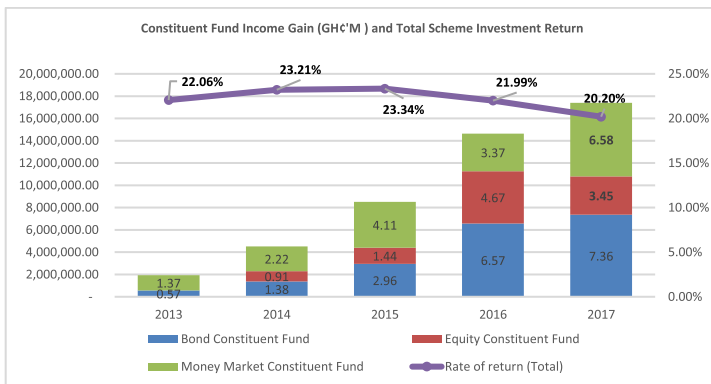
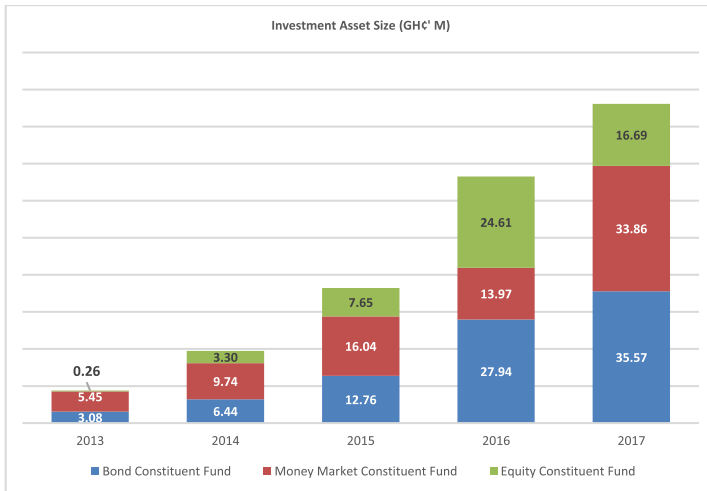
Diversified Assets Reflect Our Asset Mix Strategy (GH¢)

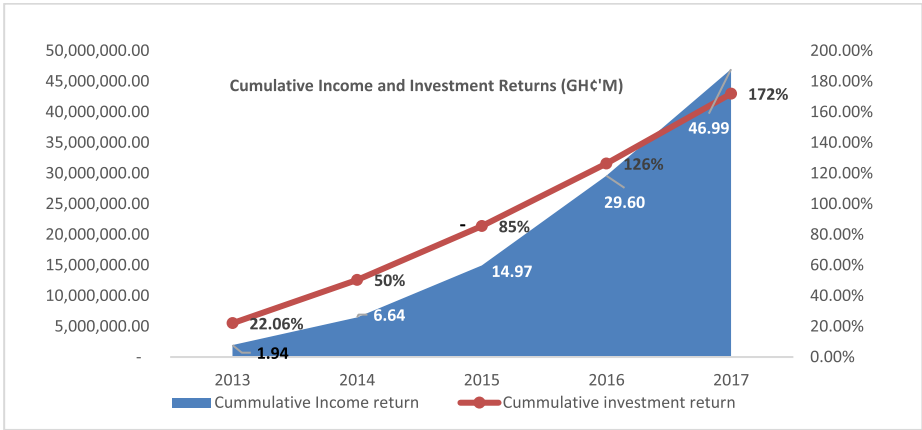


Investment Result

The result for Fiscal Year 2017 is **20.20%**, **+20.12%**, and **+19.94%**

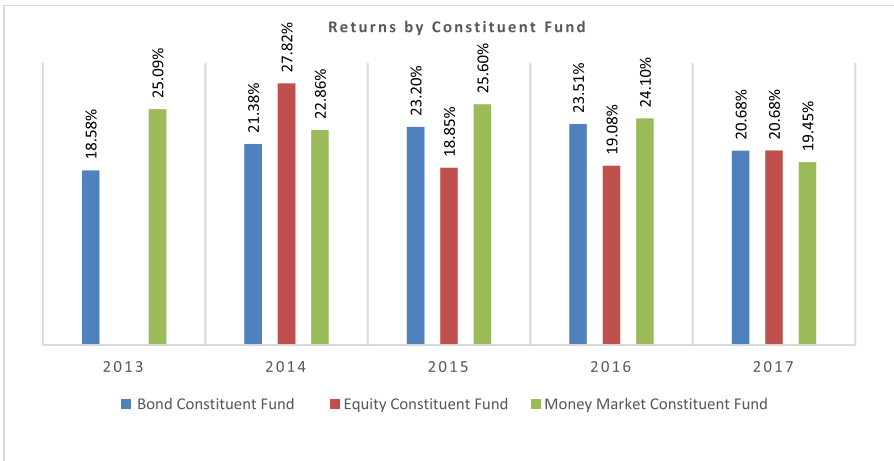
For the Growth, Moderate and Capital Preservation portfolios, respectively, due to positive returns across all the various asset classes.

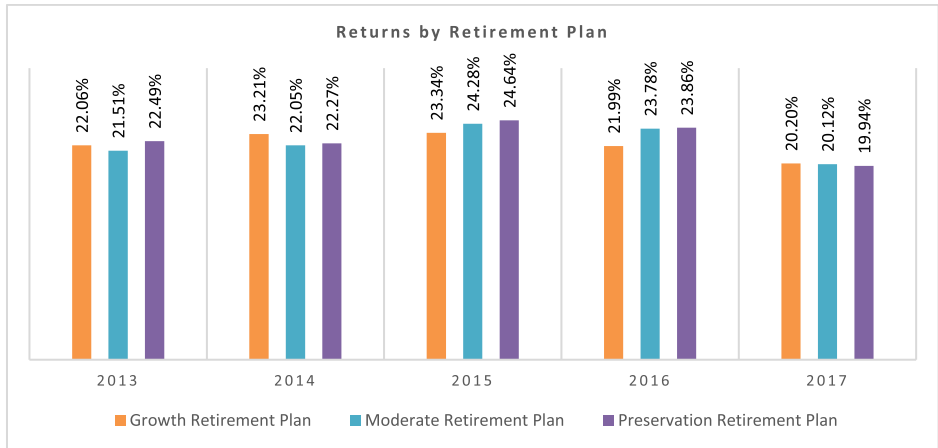




Net Historical Returns (per annum)

	2013	2014	2015	2016	2017
Bond Constituent Fund	18.58%	21.38%	23.20%	23.51%	20.68%
Money Market Constituent Fund	25.09%	22.86%	25.60%	24.10%	19.45%
Equity Constituent Fun	-	27.82%	18.85%	19.08%	20.68%





Outlook & Portfolio Strategy

Global growth forecast for 2018 is expected at 3.9%, reflecting growth momentum driven by recently approved US tax policy changes and general expected growth in the Euro and Asian regions. Sub-Saharan Africa growth is pegged at 3.3%, while projected growth for Ghana - according the governments' budget statement - is estimated at 6.8%. The domestic equity market is expected to continue its bullish trajectory on the back of strong predicted economic growth in 2018 and falling interest rates on the fixed income market. The scheme will take well researched positions in equity in 2018, whilst exploring opportunities in alternative assets such as Private Equity (PE) and Real Estate Investment Fund (REIF) in line with NPRA's revised investment guidelines.

With the general expectation that inflation will hit single digit in 2018, we are likely to see further contraction in yields across the government curve. This scheme will seek out opportunities for secondary market yield pick-ups in government sectors and take advantage of high yielding corporate bonds to enhance portfolio returns. Managers of the scheme will keep monitoring activities in the banking sector to decipher the impact of the regulatory directive for banks to increase minimum stated capital from GH¢120 million to GH¢400 million.

TRUSTEES' REPORT

Trustees of Cedar Provident Fund submit these audited financial statements for the year ended December 31, 2017 in accordance with the National Pensions Act, 2008 (Act 766) as amended in National Pensions (Amendment) Act, 2014 (Act 883) and the Occupational and Personal Pensions Scheme (General) Regulations 2011, L.I 1990.

Statement of Trustees' Responsibilities

Trustees are responsible for managing the day-to-day operations of the Fund; including the keeping of records in respect of contributions, payment of benefits and maintenance of internal controls.

The Occupational & Personal Pension Scheme Regulations require Trustees to:

- Prepare a statement of accounting policies specifying the accounting policies to be followed in preparing financial statements.
- Cause to be prepared profit & loss accounts and balance sheet as at the last day of the period that give true and fair view of the financial position of the Fund.
- Ensure that the financial statements are prepared in accordance with applicable accounting guidelines.
- Ensure that an investment report is prepared for each period of the Fund.
- Ensure that a report is prepared for the Fund in accordance with the relevant regulations for each financial period of the Fund.
- Make available to fund members, in each financial year of the Fund, reports so prepared.

Trustees have a general responsibility for ensuring that adequate accounting records are kept in a manner that explain transactions of the Fund and the financial status of the Fund.

Financial Statements

In preparing the financial statements of the Fund as presented in this report, Trustees have selected suitable accounting policies and applied them consistently in accordance with the relevant accounting standards and complied with the requirements of all pension legislations in Ghana..

Auditor

In accordance with regulatory requirements, the Board of Trustees appointed John Kay & Co. as Scheme Auditor.



Afriyie Oware

Chairman,
Board of Trustees



Ivy Hesse

Independent Trustee

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CEDAR PROVIDENT FUND

Opinion

We have audited the financial statements of Cedar Provident Fund, which comprise Statement of Net Assets available for benefits as at 31st December, 2017, and the Statement of Changes in Net Assets available for benefits and Statements of Cash Flows for the year ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial transactions of the Scheme at 31 December 2017 and of the disposition at that date of its assets and liabilities, other than the liabilities to pay benefits after the year end, in accordance with International Financial Reporting Standards and the requirements of the National Pensions Act, 2008 (Act 766) 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.

Responsibilities of the Trustees for the Financial Statements

The Trustees are responsible for the preparation of the 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) and the Occupational and Personal Pension (General) Regulations, 2011 (L.I. 1990), 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. The Trustees are also responsible for overseeing the Scheme's financial reporting process.

In preparing the financial statements, the 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 management either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

John Kay & Co.

JOHN ARMSTRONG YAO KLINOGO
(P/NO. ICAG/P/1116)

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

..... *26/4/2018*

STATEMENTS OF ACCOUNTS

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

	Note	2017 GH¢	2016 GH¢
ASSETS			
Bank Balance	4	1,722,78	617,519
Held to Maturity	5	71,941,115	58,555,876
Fair Value through Profit and Loss	6	12,456,755	6,746,997
Receivables	7	4,843,178	1,220,278
TOTAL ASSETS		90,963,837	67,140,670
LIABILITIES			
Benefits Payable	8	2,112,048	124,434
Administrative Expenses Payable	9	170,930	169,427
Other Payables	15	40,211	24,201
TOTAL LIABILITIES		2,323,189	318,062
TOTAL ASSETS LESS LIABILITIES		88,640,648	66,822,608
Represented By:			
NET ASSETS AVAILABLE FOR BENEFITS		88,640,648	66,822,608

The Financial Statements on pages 10 to 25 were approved by the Trustees on and were signed on their behalf by:
ON BEHALF OF THE BOARD OF TRUSTEES

<u>ARRILIE OWAKE</u> Trustee	 Signature	<u>11-APR-2018</u> Date
<u>Ty Hesse</u> Trustee	 Signature	<u>15/04/18</u> Date

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR
BENEFITS FOR THE YEAR ENDED 31ST DECEMBER, 2017

	Note	2017 GH¢	2016 GH¢
DEALINGS WITH MEMBERS			
Contributions	10	27,830,568	26,877,338
Benefits	11	(19,778,455)	(5,829,919)
Net Additions from Dealings with Members		8,052,113	21,047,419
RETURNS ON INVESTMENTS			
Increase In Net Assets For The Year			
Investment Income	12	13,744,257	10,089,325
Brokerage Fees/Commissions	17	(21,352)	(6,293)
Net Investment Income		13,722,905	10,083,032
Net Gains/(Losses) on Fair Value Through P/Lt	13	1,535,952	472,718
Administrative Expenses	14	1,492,930	952,651
Increase In Net Assets For The Year		21,818,040	30,650,518

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

	Note	2017 GH¢	2016 GH¢
Net Assets Available For Benefits As At 1st January		66,822,608	36,172,090
Increase In Net Assets For The Year		21,818,040	30,650,518
Net Assets Available For Benefits As At 31st December	17	88,640,648	66,822,608

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2017

	Note	2017 GH¢	2016 GH¢
Increase (Decrease) in Net Assets for the Year		21,818,040	30,650,518
Adjusted for: Investment Income (Non-Cash)		(5,256,724)	(3,384,628)
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase/(Decrease) in Benefits Payable		1,987,614	(61,482)
Increase/(Decrease) in Admin Exp. Payable		1,503	73,593
Increase/(Decrease) in Other Payables		32,936	24,201
Increase/(Decrease) in Receivables		(3,622,900)	(1,212,949)
Net Cash Generated from Operating Activities		14,960,469	26,089,253
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Treasury Bonds		(37,376,602)	(19,694,821)
Purchase of Treasury Bills		(26,939,575)	(14,466,834)
Purchase of Ordinary Shares		(1,046,957)	(936,694)
Purchase of Money Market Securities		(30,927,760)	(27,000,531)
Purchase of Corporate Bonds		(3,795,000)	(2,861,400)
Purchase of LGSA Securities		(2,984,567)	-
Purchase of Units of Open/Closed Funds		(3,040,000)	(200,000)
Proceeds from Disposal of Treasury Bonds		19,930,462	2,532,069
Proceeds from Disposal of Treasury Bills		32,846,880	14,153,622
Proceeds from Disposal of Money Mkt Sec		36,262,798	22,787,237
Proceeds from Disposal of Corporate Bonds		3,115,122	6,018
Proceeds from Disposal of Units of Open/Closed Funds		100,000	-
Net Cash Used in Investing Activities		(13,855,199)	(25,681,334)
Net Increase (Decrease) in Cash and Cash Equivalents		1,105,270	407,919
Cash and Cash Equivalents as at 1st January		617,519	209,600
Cash and Cash Equivalents as at 31st December		1,722,789	617,519

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017

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1. SCHEME INFORMATION

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). Axis Pension Trust Ltd. is the sponsor of the Cedar Provident Fund. The Scheme is a Master Trust Scheme with 94 employers contributing into the Fund for 5,567 members as at the date of reporting. t

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Scheme have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the National Pensions Act, 2008 (Act 766), the Occupational and Personal (General) Regulations, 2011 (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 present value of pensions and other future benefits of the Scheme are not applicable to these Financial Statements.

2.3 Use of Estimates and Judgment

The preparation of financial statements in conformity with IFRS requires management to make judgment, 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 other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2.4 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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Quoted Investments

The financial assets at fair value through profit or loss are determined by reference to their quoted bid price at the reporting date. Changes in market values are recognised in the statement of comprehensive income.

(ii) Cash and Cash Equivalents

The fair value of cash and cash equivalents approximates their carrying values.

(iii) Non-Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Instruments with maturity period of 6 months are not discounted as their carrying values approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017

2.5 Fair value of Financial Instruments

The framework for measuring fair value provides a fair value hierarchy that prioritizes 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 has the ability to access.

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.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

2.6 Comparatives

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Functional and Presentation Currency

The financial statements are presented 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 recognized in the Statement of changes in net assets.

3.2 Contributions

Contributions are recognized in the period in which they fall due. The Contributions are in compliance with rates as per the National Pensions Act, 2008 (Act 766) and the Scheme Governing Rules

3.3 Benefits

Benefits are recognized 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) and the Scheme Governing Rules.

3.4 Investment Income

Dividend Income from investments is recognized when the shareholders' right to receive payment has been established. Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

3.5 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,

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 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.

f. Subsequent Measurement of Financial Asset

Available for Sale financial assets are subsequently measured at fair value with the resulting changes recognized in Statement of Movement in Net Assets Available for Benefits. 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 derecognized.

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.

g. 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.

h. 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.

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 a 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 occurred 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 recognized 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 recognized, are not included in a collective assessment of impairment.

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 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.

Impairment losses on Available-for-Sale financial assets are recognized by transferring the difference between the amortized 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 recognized directly in Net Assets.

3.6 Provisions

Provisions are recognized 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.

3.7 Cash and Cash Equivalents

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

3.8 Standards, Amendments and Interpretations issued but not yet effective

New standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2017, and have not been applied in preparing these financial statements include;

Title	Accounting Standard	Nature of Impending Changes	Effective Date
IFRS 9	Financial Instruments	This is a new standard issued to replace the existing standard IAS 39 financial instruments. Key modifications include measurement and clarification of financial instruments. The standard is expected to be impacted by ongoing work of IASB.	1 January 2018

4. BANK BALANCE

	2017	2016
	GH¢	GH¢
Call Account	1,722,789	617,519
Total Bank Balance	1,722,789	617,519

5. HELD TO MATURITY INVESTMENTS

	2017	2016
	GH¢	GH¢
Treasury Notes	49,153,731	29,103,927
Corporate Bonds	7,500,210	6,491,650
Treasury Bills	1,407,308	7,385,890
Local Gov't and Statutory Agency Securities	3,078,040	-
Fixed Deposits	10,801,826	15,574,409
Total Held to Maturity Investments	71,941,115	58,555,876

6. FAIR VALUE THROUGH PROFIT AND LOSS

	2017 GH¢	2016 GH¢
Benso Oil Palm Plantation Ltd	78,948	26,832
Ecobank Ghana Ltd	121,814	65,363
Enterprise Group Ltd	521,330	138,000
Ghana Commercial Bank	302,672	165,540
Standard Chartered Bank	537,320	235,804
Total Petroleum Ghana Ltd	79,072	32,076
Tullow Oil Ltd.	86	134
CAL Bank Ltd.	162,340	93,986
Mega African Capital	753,480	756,000
SocieteGenerale	154,734	116,994
Ghana Oil Company Ltd	166,710	51,920
Fanmilk Ghana Ltd.	44,250	-
Edendale Preference Shares	4,147,803	2,884,564
HFC REIT	700,796	753,961
Databank Balanced Fund	-	119,849
Databank Money Market Fund	937,603	784,541
Stanlib Income Fund	180,458	122,408
Stanlib Cash Trust Fund	161,117	121,779
Omega Equity Fund	591,147	63,087
Omega Income Fund	1,225,098	214,159
Heritage Fund	92,958	-
EDC Fixed Income Fund	1,497,019	-
Total Available for Sale Investments	12,456,755	6,746,997

7. RECEIVABLES

	2017	2016
	GH¢	GH¢
Contributions Outstanding: For Less than 30 days	2,424,762	1,157,727
Other Receivables	2,418,416	62,551
Total Receivables	4,843,178	1,220,278

8. BENEFITS PAYABLE

	2017	2016
	GH¢	GH¢
Lump Sum Benefit Payable	1,867,114	111,052
Taxes Payable on Withdrawals	244,934	13,382
Total Benefits Payable	2,112,048	124,434

9. ADMINISTRATIVE EXPENSES PAYABLE

	2017	2016
	GH¢	GH¢
Asset Based Fees		
NPRA Fees	24,583	49,593
Trustee (Administrator) Fees Payable	67,045	49,739
Pension Fund Manager Fees Payable	38,429	28,318
Pension Fund Custodian Fees Payable	38,639	37,571
Audit Fees Payable	2,234	4,206
Total Administrative Expenses Payable	170,930	169,427

10. CONTRIBUTIONS

	2017	2016
	GH¢	GH¢
Contributions Received	23,956,867	17,177,731
Contributions Receivable	2,424,762	1,157,727
Transfer in	1,448,939	8,541,880
Total Administrative Expenses Payable	27,830,568	26,877,338

11. BENEFITS

	2017	2016
	GH¢	GH¢
Lump Sum Benefit Paid	15,889,932	5,146,474
Lump Sum Benefit Payable	1,867,114	111,052
Taxes Paid on Withdrawals	2,021,409	572,393
Total Benefits	19,778,455	5,829,919

12. INVESTMENT INCOME

	2017	2016
	GH¢	GH¢
Interest on Treasury Bonds	7,532,679	4,037,441
Interest on Treasury Bills	485,475	1,518,093
Interest on Money Market Securities	3,367,782	3,150,829
Interest on Corporate Bonds	2,077,113	1,289,619
Interest on Local Gov't & Stat. Agency Sec.	93,473	-
Dividend Income	36,561	17,607
Interest on Bank Deposits	151,174	75,736
Other Income	-	887
Total Investment Income	13,744,257	10,089,325

13. GAINS / LOSSES ON INVESTMENT INCOME

	2017	2016
	GH¢	GH¢
Gain / (Loss) in valuation of Ordinary Shares holdings	685,188	(150,168)
Gain from valuation of holdings in Open / Closed End Funds	324,996	197,568
Gain / (Loss) in valuation of Treasury Bonds	205,221	327,819
Gain/(Loss) from valuation of holdings in REITs	89,713	97,499
Gain/(Loss) in disposal of Treasury Bonds	230,834	-
Net Gains / (Losses) on Fair Value Through P/L	1,535,952	472,718

14. ADMINISTRATIVE EXPENSES

	2017	2016
	GH¢	GH¢
Asset Based Fees		
NPRA Fees	252,605	157,092
Trustee (Administrator) Fees	691,922	428,432
Pension Fund Manager Fees	387,178	243,340
Pension Fund Custodian Fees	136,237	119,009
Audit Fees	4,468	4,206
Bank Charges	520	572
Trustee Registration Expense	20,000	2,500
Total Administrative Expenses	1,492,930	952,651

15. OTHER PAYABLES

	2017	2016
	GH¢	GH¢
Benefits returned into fund	40,211	7,275
Wrong credit into account	-	16,926
Total Receivables	40,211	24,201

15. NET ASSETS AVAILABLE FOR BENEFITS

2017			
	Contribution GH¢	Net Investment Income GH¢	Total GH¢
Balance as at 1st January	47,917,070	18,905,538	66,822,608
Additions	27,830,568	13,765,927	41,596,495
Deductions	(19,778,455)		(19,778,455)
Balance as at 31st December	55,969,183	32,671,465	88,640,648

2016			
	Contribution GH¢	Net Investment Income GH¢	Total GH¢
Balance as at 1st January	26,869,651	9,302,439	36,172,090
Additions	26,877,338	9,603,099	36,480,437
Deductions	(5,829,919)		(5,829,919)
Balance as at 31st December	47,917,070	18,905,538	66,822,608

17. BROKERAGE FEES/COMMISSIONS

This refers to service charges assessed by brokers in return for handling the purchase or sale of securities on behalf of the Scheme.

18. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

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

- Asset/Portfolio/Credit risk
- Liquidity risk
- Market risk
- Operational risk

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.

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 analyze 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

(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.

The following are contractual maturities of financial assets:
31 December 2017:

Financial Assets	3 months or less (GH¢)	4 - 6 Months (GH¢)	7 - 12 Months (GH¢)	More than 12 Months(GH¢)
Fixed Deposits	2,971,737	4,275,531	3,554,558	-
Corporate Bond	-	-	4,622,806	5,955,444
Government Securities	4,513,169	3,491,825	5,698,136	36,857,909
	7,484,906	7,767,356	13,875,500	42,813,353

31 December 2017:

Financial Assets	3 months or less (GH¢)	4 - 6 Months (GH¢)	7 - 12 Months (GH¢)	More than 12 Months(GH¢)
Benefit Payable	2,112,048	-	-	-
Administrative Expenses Payable	170,930			
Other Payables	40,211	-	-	-
	2,323,189	-	-	-

(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.

(d) Equity Price risk

Listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Fund's policy over equity price risk is to minimize its exposure to equities and only deal with equities that meets the standards set out in the NPRA guidelines and the Fund's investment

(e) 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 Fund has no interest bearing liabilities.

(f) 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.

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.

19. TAX

Under Section 89 (1) of the National Pensions Act, 2008 (Act 766), the Scheme is exempt from income tax.

20. COMMITMENTS AND CONTINGENCIES

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

21. EVENTS AFTER THE REPORTING PERIOD

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

GLOSSARY

Asset Allocation	The proportion of an investment portfolio allotted to particular asset class.
Asset Class	A group of securities that exhibit similar characteristics and behave similarly in the marketplace.
Asset Under Management (AuM)	The total market value of an investment portfolio at a given point in time.
Benefits	Proceeds of an investment in a pension fund payable to members.
Beneficiary	Designated dependant of a member nominated to receive his/her benefits in the scheme, in the event of the death of the member.
Bonds	A debt security under which the issuer owes the holder a specified amount under specified conditions.
Corporate Trustee	A company licensed by the National Pensions Regularity Authority (NPRA) to manage pension schemes under a Trust.
Individual Trustee	A person licensed by NPRA to, together with other NPRA-licensed persons, manage pension schemes under a Trust.
Custodian	A bank authorised by NPRA to keep pension fund assets on behalf of the Trust.
Fund Manager	An investment professional, or entity, that advises Trustees on available investment avenues where pension fund assets could be invested.
Defined Contribution Scheme	A scheme in which a member's benefits are determined by his/her contributions and investment returns accrued to those contributions.
Equities	These are shares of a limited liability company.
Fixed Income	All investments which pay interest at a pre-agreed rate with a fixed maturity date.
Income Replacement Ratio	One's retirement income (monthly pension) as a percentage of his/her pre-retirement income.

Life-Cycle	An investment style by which members' contributions are invested in different investment packages according to their ages or years to retirement.
Employer-Sponsored Scheme	An investment scheme sponsored by a company for and on behalf of employees of the sponsoring organization only.
Master-Trust Scheme	An investment scheme sponsored and run by a Corporate Trustee for employees of multiple organizations.
Pension Fund or Scheme	An arrangement by which an employer and, usually, an employee makes regular contributions into a fund that is invested to provide the employee with income at retirement.
Personal Pension Scheme:	Pension schemes that allow individuals to enrol voluntarily and invest towards their retirement on individual basis, usually without the support of an employer.

NOTES

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