

# AXIS PENSION PLAN

2016 SCHEME ANNUAL REPORT



AXIS PENSION TRUST

... Your reliable partner in Pensions

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# FUND INFORMATION

## SPONSORING TRUSTEE

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

## BOARD OF TRUSTEES

- Afriyie Oware
- Ernest Kusi-Ababio
- Simon Komla Agbenyegah Ayivi
- Ivy Naa Odey Hesse

## FUND MANAGERS

### **STANLIB Ghana Ltd**

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

### **Omega Capital Limited**

The Alberts, # 23 Kanda Estates,  
Kanda, Accra.

## FUND CUSTODIAN

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

## AUDITORS

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

# CHAIRMAN'S REMARKS

Axis Pension Plan has been designed as a long-term investment plan to provide supplementary retirement incomes to its participants. Contribution to the Scheme is voluntary; and tax-qualified for members who have not exhausted the 16.5% tax relief on tier 3 schemes. This annual report highlights the scheme's operations, governance, investment activities and performance.

The economy remained largely challenged in 2016 despite improvement in some indicators. Ghana's national debt reached GH¢120billion in November 2016, constituting over 72% of GDP. The power crisis that entered its fourth straight year, in 2016, seemed to have improved by the end of the year. However, high energy costs and high nonperforming bank loan portfolios, amongst others, hurt the performance of listed companies; ensuring that the struggles - in 2014 and 2015 - of the local bourse continued in 2016, resulting in the GSE-CI recording an abysmal -15.3% return in 2016. The Index's returns of positive 7.2% in December 2016 alone, coupled with declining short-term interest rates on the fixed income market – at the latter part of the year – may however be signaling a stronger investor sentiment for the economy in 2017.

The local currency saw some relative stability in the first three quarters of 2016; ending September 2016 with a year-to-date depreciation of 4.4% to the US\$. The cedi however took a nosedive against the dollar in Q4-2016. Its year-to-date performance against the dollar stood at -9.6% at the end of December 2016. Significant downward movements were also seen in domestic interest rates following government's effort to reduce interest service cost and lengthen

maturities. The benchmark 91-Day and 182-Day Treasury Bills dropped to 16.43% and 17.64% - respectively - at the end of December 2016, from highs of 22.86% and 24.69%, respectively, in September 2016. The 1Yr Treasury Bond also dropped to 21% (from 23.25% in September 2016). These southward movements in interest rates, and the resulting correction of the yield curve, are positive signs for commerce and industry in 2017. Inflationary trends eased to end 2016 at 15.4% compared to 17.7% at the end of 2015.

Meanwhile the three-year Extended Credit Facility (ECF) programme between the Government of Ghana and the International Monetary Fund (IMF) continued in 2016. The programme served as a check, to a degree, on public expenditure in the run-up to the December 2016 general elections. With eventual change in government analysts have suggested that the new government may renegotiate some of the terms of the IMF programme to allow for some latitude and pave way for a much needed stimulant for economic growth.

This scheme is increasingly gaining traction as a rainy-day fund for workers as evidenced from the stellar growth posted in 2016. The Fund grew in terms of Net Assets from GH¢ 3,721,347 – at the end of 2015 – to GH¢ 9,569,801, as at December 31, 2016. This growth was driven by contributions and investment income. Our prior year's strategy of increasing the Scheme's holdings in bonds to lock-in at the then high yields has started paying dividends as short-term interest rates took a nosedive towards the end of the 2016. In the midst of a generally poor stock market performance and poor results posted by

some listed companies, we maintained low exposure to equity.

The Capital Preservation bundle of the Axis Pension Plan ended the year with a net return of 23.9%, with the Growth bundle posting 22.5% returns on the back of strong bond yields. Promise of more corporate bond listings on the Ghana Stock Exchange Alternative Market in 2017, and ongoing regulatory revision in the investment guidelines of pension fund assets, is good news for pension funds as these would ultimately open up more investment avenues for the Scheme. In line with our mission to promote a culture of savings and wealth creation, Axis Pension Trust Ltd. took its retirement planning campaigns to several institutions across the country. Our team of pension advisors are available for free guidance on retirement planning.

In September 2016, your preferred pension administrator, Axis Pension Trust, was adjudged the best pensions management company in Africa (risk management category) at the Second African Pensions Awards held in Abuja, Nigeria. We dedicate this award to you, our cherished clients, for your loyal patronage of our products and for giving us the opportunity to serve you.

On behalf of directors, and staff of Axis Pension Trust Ltd., I thank you for choosing Axis Pension Trust, your reliable partner, for your retirement income needs.

Sincerely



**Afriyie Oware**  
Chairman, Board of Trustees.

# SCHEME ADMINISTRATION REPORT

## Governance & Management

Axis Pension Plan is a long-term investment scheme set up to help workers build up extra retirement savings. It is tax-qualified for members who do not participate in any other pension scheme and allows participants to enjoy up to 16.5% tax reliefs on contributions. The Scheme is open to all persons; be they employees of big or small organizations or self-employed. It is the ideal pension arrangement for all for persons who wish to augment their retirement savings.

Registered by NPRA, Axis Pension Plan operates under the National Pension Act, 2008 (Act 766) as amended in National Pensions Amendment Act, 2014 (Act 883). It is established under a trust deed

and sponsored by Axis Pension Trust Ltd. Axis Pension Plan is administered under a Defined Contribution (DC) arrangement and therefore investment risks are borne directly by members. Thus no specific amounts of benefits are guaranteed to members upon withdrawal request. Benefits are determined by the amounts contributed and the investment returns made from investing those contributions. Axis Pension Plan is managed by a four-member Board of Trustees. Trustees formulate the investment policies for the management of the Scheme and appoint service providers to run the day-to-day scheme activities. Page 3 has the list of service providers.

## Membership of the Scheme

One becomes a member of Axis Pension Plan by submitting completed enrolment forms to Axis Pension Trust Ltd. Organisations can also enrol their employees and fund their accounts from source deductions. The table below shows membership of the Scheme over the past three years:

	2016	2015	2014
Members as at 1st January	3,377	2,025	1,153
Joiners	1,087	1,352	872
Members as at 31st December	4,464	3,377	2,025

## Contributions & Transfers-In

Subject to a minimum of GH¢100, participants have the latitude to determine how much to contribute to enable them achieve their retirement objectives. Members' accounts are credited on the day on which contributions are received.

Formal sector workers who have already exhausted the maximum 16.5% tax relief for the third tier schemes (i.e. under an employer-sponsored third tier provident fund) can contribute into Axis Pension Plan on after-tax basis. Self-employed persons who do not participate in any other scheme under Act 766 can enjoy up to 35% in tax reliefs on contributions made into Axis Pension Plan. All persons exiting from their employer-sponsored third tier schemes can also transfer their benefits directly into Axis Pension Plan.

## Benefits from the Scheme

Members of the Scheme must wait for a minimum of 5 years to access benefits from their "Savings Account". The "Retirement Account" is accessible after 10 years from the date of first contribution or when a member reaches the retirement age.

## Financial Highlights

Below are some financial highlights of Axis Pension Plan for the years ended December 31<sup>st</sup> 2016:

Activity/Asset Type	2016(GH¢)	2015(GH¢)	2014(GH¢)
Contributions	5,535,183	2,451,881	944,109
Net Investment Income	1,333,487	415,437	116,928
Assets under Mgt.	9,569,801	3,750,596	1,057,510

## Member Communication

Members who wish to know more about Axis Pension Plan should go to Axis' website for more information. They may also contact Axis Pension Trust for a copy of Axis Pension Plan Handbook. The Handbook is an information guide designed to inform members about the Scheme, retirement planning in general and the rules governing the Scheme. Axis Pension Trust also distributes Fund Fact Sheets and benefits statements quarterly to keep members updated about the Scheme and on major developments in the pensions industry.

## Access to Benefit Statements

Members of Axis Pension Plan have a 24-hour online access to their member statements via the link **<http://cap.axispension.com/clientaccess/member>**. This secure and convenient platform allows members to view their account statements by means of PIN verification. Scheme members may either use their SSNIT numbers or their Axis Pension Plan account numbers to log onto the platform and view or print their benefit statements. All members are encouraged to take advantage of this platform to update themselves with the growth and performance of their retirement savings.

# INVESTMENT REPORT

## Economic & Market Review

2016 provided better economic outcomes than 2015. Economic and consumer sentiments improved as relative fiscal stability and improving energy dynamics boosted consumer and investor sentiments. IMF-supported reforms could be partly credited with the uptick in fortunes. The emphasis on fiscal discipline created a virtuous cycle of relative budgetary stability, a lower annual rate of cedi depreciation as well as declining inflation and interest rates. The cedi may have shaved off another 9.6% of its value in the year 2016 but half of this drop only occurred in the month of December 2016, triggered by a mix of election related speculation. This currency decline was still less than the 15.7% drop recorded in 2015. Inflationary pressures also eased down with the consumer price index (CPI) closing the year at 15.4%, down from 17.7% at the end of 2015.

It was not all good news. Shortfalls in oil production due to technical glitches on Tullow Oil's offshore production facility offset the inflows from the commencement of production from the Atuabo plant. Global Cocoa prices also declined, leading to a growth rate of only 2.5% in Q2-2016 compared to 4.8% in Q1-2016. The stock market continued its downward trajectory, dragged down by the poor quality of banking assets and reflecting the broader malaise still afflicting

the economy. It lost another 15.3% in 2016 adding to the 11.8% decline in 2015. On balance, though, a corner may have been turned. The Central Bank seemed to signal this when it reduced its monetary policy rate in November 2016 by 50 basis points, the first rate cut in 5 years. Short-term rates also fell toward the end of 2016, a sign of increasing investor confidence and a more benign macroeconomic environment.

## Portfolio Execution

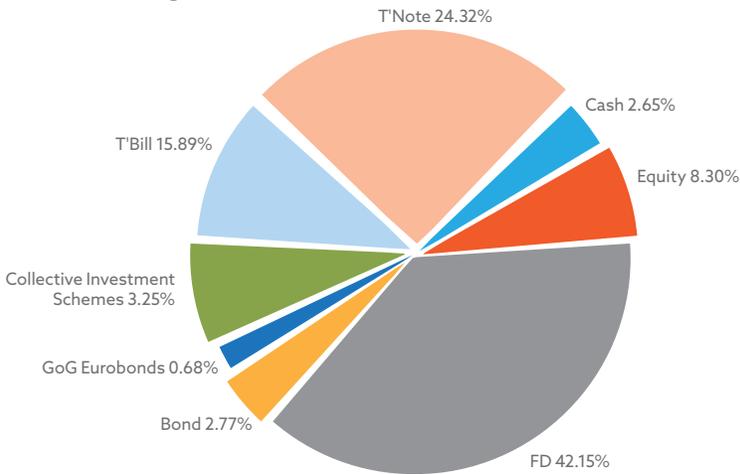
In line with the Scheme's investment policy, fixed income was the dominant asset class in 2016. This dominance was also influenced by market conditions. Toward the end of 2016, a lot more investments were made in longer-dated fixed income securities to lock-in at the then high interest rates at that segment of the market. This was based on the judgment that drops in interest rates on the shorter-end of the fixed income market would continue through the first half of 2017. The Scheme has therefore been strategically positioned to enjoy relative high returns, even long after sustained drops in interest rates; a strategy that has clearly paid off. Tactical investments were also made in some listed corporate bonds in the midst of a generally poor stock market performance. This contributed to the impressive performance of the Scheme in 2016 despite the lackluster stock market performance for the year. Below are movements in the Scheme's investments in the year under review:

Asset Type	Value as at 31/12/2015	Purchases / Inflows	Sales / Outflows	Changes in Fair Value	Value as at 31/12/2016
GoG Securities	969,558	6,658,829	3,836,027	134,601	3,908,353
Corporate Bonds	259,288	-	-	32,711	291,999
Fixed Deposits	1,694,487	7,149,667	4,990,728	216,494	4,069,920
Equity	616,871	467,679	-	46,073	1,130,623
<b>Total</b>	<b>3,540,204</b>	<b>14,276,175</b>	<b>8,826,755</b>	<b>429,879</b>	<b>9,400,895</b>

## Asset Allocation

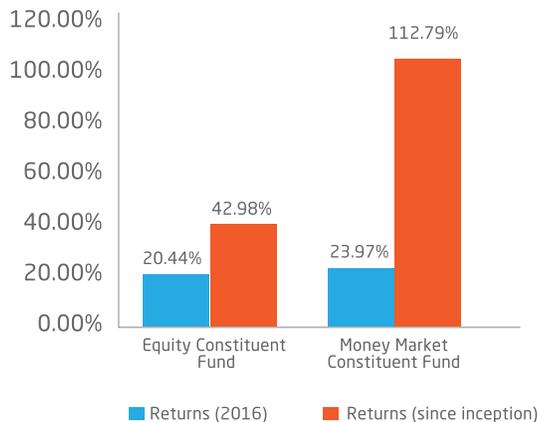
The chart below shows the distribution of assets as at December 31<sup>st</sup> 2016:

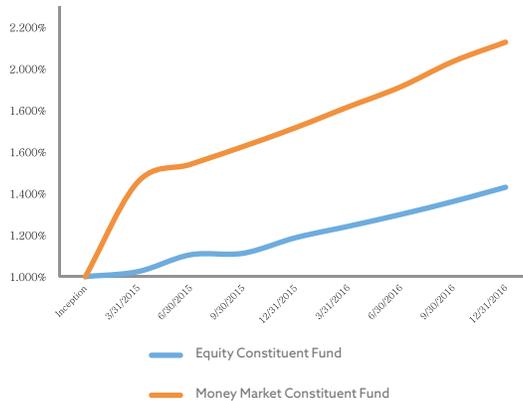
### Global Fund Holdings



## Performance

The graphs below show the performance of the Scheme's Constituent Funds in 2016 and since inception.





### Outlook & Portfolio Strategy

The peaceful election and transfer of power sends positive signals to investors. It is expected that the new administration will continue with the IMF reform programme that ends in 2018, albeit with some potential modifications. Economic prospects are favourable for 2017/18, with GDP growth projected at 7.0% and 6.5% in 2017 and 2018 respectively. This will be driven by, among others, the onset of new oil and gas production. The first oil from the Tweneboa, Enyenra and Ntomme (TEN) project came on-stream in August 2016 with the main impact being felt in 2017 as production reaches full capacity. Gas production from the Sankofa fields will also commence in 2018. Production from Ghana's first oilfield, Jubilee, is also expected to recover after series of technical problems in 2016. Revenues from cocoa and gold production will however be subdued by declining global prices. The balance of risks will be on the downside and though there may be early upward pressure on utility prices, the CPI is expected to decline and flat-line in the early double digits (12-15%) during the year. Consequently, treasury yields and broader interest rates should remain a few basis points above inflation should the cedi's recent volatility subside.

With a generally positive economic outlook for the Ghanaian economy in 2017 and the equity market showing signs of rebound, Axis Pension Plan will take well researched positions in listed stocks with strong fundamentals, to boost long-term returns. Additionally, at least for the first half year of 2017, the Scheme will continue to focus on the longer end of the fixed income market even as short-term interest rates continue to fall. Promise of more corporate bond listings on the Ghana Stock Exchange Alternative Market in 2017, and ongoing regulatory revision in the investment guidelines of pension fund assets provide additional investment avenues for investing pension fund assets. Infrastructure bonds, municipal bonds and private equity investments, among other alternative investments, are expected to be introduced by the revision. Axis Pension Plan will take full advantage of additional - and available - new asset classes that will be introduced by this regulatory review to enrich the portfolio, and its returns.

# TRUSTEE'S REPORT

Trustees of Axis Pension Plan submit these audited financial statements for the year ended December 31, 2016 in accordance with the National Pensions Act, 2008 (Act 766) as amended in National Pensions Amendment Act, 2014 (Act 883) and the Occupational & Personal Pension Regulations, LI 1991.

## Statement of Trustees' Responsibilities

The Trustee is 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 the Trustee 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 gives 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 scheme members, in each financial year of the Scheme, 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, the Trustee has 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 Trustee appointed John Kay & Co. as Scheme Auditor.



**Afriyie Oware**  
(Trustee)  
25th April, 2017



**Ivy Hesse**  
(Trustee)  
26th April, 2017

# AUDITOR'S REPORT

## Opinion

We have audited the financial statements of Axis Pension Plan, which comprise Statement of Net Assets available for benefits as at 31st December, 2016, 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 2016 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

**PRACTICE NO. ICAG/P/1116**

JOHN KAY AND CO.

CHARTERED ACCOUNTANTS

ACCRA

**PRACTICE NO. ICAG/F/2015/128**

**28th April, 2017**

# STATEMENTS OF ACCOUNTS

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31<sup>ST</sup> DECEMBER 2016

	Note	2016 GH¢	2015 GH¢
<b>ASSETS</b>			
Bank Balance	4	255,858	210,392
Held to Maturity	5	8,270,272	2,923,333
Fair Value through Profit and Loss	6	1,130,623	616,871
Receivables	7	149	-
<b>TOTAL ASSETS</b>		<b>9,656,902</b>	<b>3,750,596</b>
<b>LIABILITIES</b>			
Benefits Payable	8	32,469	12,000
Administrative Expenses Payable	9	51,168	17,249
Other Payables	15	3,464	-
<b>TOTAL LIABILITIES</b>		<b>87,101</b>	<b>29,249</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>9,569,801</b>	<b>3,721,347</b>
Represented By:			
<b>NET ASSETS AVAILABLE</b>		<b>9,569,801</b>	<b>3,721,347</b>

Signed on behalf of the Board of Trustees by:



Afriyie Oware  
25th April, 2017



Ivy Hesse  
26th April, 2017

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Note	2016 GH¢	2015 GH¢
<b>DEALINGS WITH MEMBERS</b>			
Contributions	10	5,535,183	2,451,881
Benefits	11	(936,912)	(168,163)
<b>Net Additions from Dealings with Members</b>		<b>4,598,271</b>	<b>2,283,718</b>
<b>RETURNS ON INVESTMENTS</b>			
Investment Income	12	1,334,390	426,239
Brokerage Fees/Commissions	17	(903)	-
<b>Net Investment Income</b>		<b>1,333,487</b>	<b>426,239</b>
Net Gains on Investment Income	13	85,716	53,712
Administrative Expenses	14	169,020	64,514
<b>Increase In Net Assets For The Year</b>		<b>5,848,454</b>	<b>2,699,155</b>

STATEMENT OF MOVEMENT IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Note	2016 GH¢	2015 GH¢
<b>Net Assets Available For Benefits As At 1st January</b>		<b>3,721,347</b>	<b>1,022,192</b>
Increase In Net Assets For The Year		5,848,454	2,699,155
<b>Net Assets Available For Benefits As At 31st December</b>	<b>16</b>	<b>9,569,801</b>	<b>3,721,347</b>

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31ST DECEMBER, 2016

	2016 GH¢	2015 GH¢
Increase in Net Assets for the Year	5,848,454	2,699,155
Adjusted for: Investment Income (Non-Cash)	(411,271)	(121,719)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Benefits Payable	20,469	119,429
Increase in Admin Exp. Payable	33,919	11,936
Increase in Other Payables	3,464	(18,000)
Increase in Receivables	(149)	-
<b>Net Cash Generated from Operating Activities</b>	<b>5,494,886</b>	<b>2,690,801</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Treasury Bonds	(2,223,498)	(934,507)
Purchase of Treasury Bills	(4,435,331)	(1,489,519)
Purchase of Ordinary Shares	(467,679)	(599,315)
Purchase of Money Market Securities	(7,149,667)	(3,923,852)
Purchase of Corporate Bonds	-	(600,422)
Proceeds from Disposal of Treasury Bonds	271,505	512,668
Proceeds from Disposal of Treasury Bills	3,564,522	1,116,442
Proceeds from Disposal of Money Mkt Sec	4,990,728	2,941,053
Proceeds from Disposal of Corporate Bonds	-	450,036
<b>Net Cash Used in Investing Activities</b>	<b>(5,449,420)</b>	<b>(2,527,416)</b>
Net Increase in Cash & Cash Equivalents	45,466	163,385
Cash and Cash Equivalents as at 1st January	210,392	47,007
<b>Cash and Cash Equivalents as at 31st December</b>	<b>255,858</b>	<b>210,392</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2016

## 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 Axis Pension Plan. As at the date of reporting, the number of members of Axis Pension Plan is 4,464.

## 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 (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. The principal accounting policies adopted in the preparation of these Financial Statements remain unchanged from the previous year.

### 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.

## 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 (GH¢), 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, 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 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 2016, 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
IAS 7	Disclosure Initiative - Amendment	The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017

#### 4. BANK BALANCE

	2016 GH¢	2015 GH¢
Call Account	255,858	210,392
<b>Total Bank Balance</b>	<b>255,858</b>	<b>210,392</b>

#### 5. HELD TO MATURITY INVESTMENTS

	2016 GH¢	2015 GH¢
Treasury Notes	2,373,984	326,320
Corporate Bonds	291,999	259,288
Treasury Bills	1,534,369	643,238
Fixed Deposits	4,069,920	1,694,487
<b>Total Held to Maturity Investments</b>	<b>8,270,272</b>	<b>2,923,333</b>

## 6. FAIR VALUE THROUGH PROFIT AND LOSS

	2016 GH¢	2015 GH¢
Standard Chartered Bank	44,686	48,900
Mega African Shares	132,000	132,000
Societe Generale	28,414	40,000
Edendale Preference Shares	611,644	98,541
HFC REIT	176,278	149,379
Databank Balanced Fund	-	37,961
Databank Money Market Fund	137,601	110,090
<b>Total Fair Value Through Profit and Loss</b>	<b>1,130,623</b>	<b>616,871</b>

## 7. RECEIVABLES

	2016 GH¢	2015 GH¢
Other Receivables	149	-
<b>Total Receivables</b>	<b>149</b>	<b>-</b>

## 8. BENEFITS PAYABLE

	2016 GH¢	2015 GH¢
Lump Sum Benefit Payable	21,800	12,000
Taxes Payable on Withdrawals	10,669	-
<b>Total Benefits Payable</b>	<b>32,469</b>	<b>12,000</b>

## 9. ADMINISTRATIVE EXPENSES PAYABLE

	2016 GH¢	2015 GH¢
Asset Based Fees		
NPRA Fees	30,125	8,837
Trustee (Administrator) Fees Payable	8,754	3,156
Pension Fund Manager Fees Payable	4,539	1,398
Pension Fund Custodian Fees Payable	5,617	2,208
Audit Fees Payable	2,133	1,650
<b>Total Administrative Expenses Payable</b>	<b>51,168</b>	<b>17,249</b>

## 10. CONTRIBUTIONS

	2016 GH¢	2015 GH¢
Contributions Received	5,535,183	2,451,881
<b>Net Contribution</b>	<b>5,535,183</b>	<b>2,451,881</b>

## 11. BENEFITS

	2016 GH¢	2015 GH¢
Lump Sum Benefit Paid	936,912	168,163
<b>Total Benefits</b>	<b>936,912</b>	<b>168,163</b>

## 12. INVESTMENT INCOME

	2016 GH¢	2015 GH¢
Interest on Treasury Bonds	184,967	55,386
Interest on Treasury Bills	322,921	109,175
Interest on Money Market Securities	713,689	216,762
Interest on Corporate Bonds	61,414	31,089
Dividend Income	3,496	
Interest on Bank Deposits	23,082	13,827
Other Income	24,821	
<b>Total Investment Income</b>	<b>1,334,390</b>	<b>426,239</b>

## 13. GAINS / LOSSES ON INVESTMENT INCOME

	2016 GH¢	2015 GH¢
Gain / (Loss) in valuation of Ordinary Shares holdings	(21,360)	6,540
Gain from valuation of holdings in Open / Closed End Funds	31,747	19,987
Gain in valuation of Treasury Bonds	48,944	-
Gain from valuation of holdings in REITs	26,385	27,185
<b>Net Gains / (Losses) on Investment Income</b>	<b>85,716</b>	<b>53,712</b>

## 14. ADMINISTRATIVE EXPENSES

	2016 GH¢	2015 GH¢
Asset Based Fees		
NPRA Fees	20,638	6,883
Trustee (Administrator) Fees	68,794	23,147
Pension Fund Manager Fees	32,418	10,696
Pension Fund Custodian Fees	15,537	5,210
Audit Fees	2,056	1,650
Bank Charges	29,577	16,928
<b>Total Administrative Expenses</b>	<b>169,020</b>	<b>64,514</b>

## 15. OTHER PAYABLES

	2016 GH¢	2015 GH¢
Unexplained Credit to Account	3,464	-
	3,464	-

## 16. NET ASSETS AVAILABLE FOR BENEFITS

	2016		
	Contribution	Net Investment Income	Total
	GH¢	GH¢	GH¢
Balance as at 1st January	3,188,982	532,365	3,721,347
Additions	5,535,183	1,250,183	6,785,366
Deductions	(936,912)	-	(936,912)
<b>Balance as at 31st December</b>	<b>7,787,253</b>	<b>1,782,548</b>	<b>9,569,801</b>

	2015		
	Contribution	Net Investment Income	Total
	GH¢	GH¢	GH¢
Balance as at 1st January	905,264	116,928	1,022,192
Additions	2,451,881	415,437	2,867,318
Deductions	(168,163)	-	(168,163)
<b>Balance as at 31st December</b>	<b>3,188,982</b>	<b>532,365</b>	<b>3,721,347</b>

## 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 2016:

Financial Assets	3 months or less (GH¢)	4 - 6 Months (GH¢)	7 - 12 Months (GH¢)	More than 12 Months (GH¢)
Fixed Deposits	-	4,069,920	-	-
Corporate Bond	-	-	-	291,999
Government Securities	164,053	1,370,316	22,875	2,351,109
	<b>164,053</b>	<b>5,440,236</b>	<b>22,875</b>	<b>2,643,108</b>

The following are contractual maturities of financial liabilities:

### 31 December 2016:

Financial Liabilities	3 months or less (GH¢)	4 - 6 Months (GH¢)	7 - 12 Months (GH¢)	More than 12 Months (GH¢)
Benefit Payable	32,469	-	-	-
Administrative Expenses Payable	51,168	-	-	-
Other Payables	3,464	-	-	-
	<b>87,101</b>	-	-	-

#### (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 policy statement.

#### (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 no were events after the reporting period that relate to the year under consideration.

# GLOSSARY

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

<b>Life-Cycle</b>	An investment style by which members' contributions are invested in different investment packages according to their ages or years to retirement.
<b>Employer-Sponsored Scheme</b>	An investment scheme sponsored by a company for and on behalf of employees of the sponsoring organization only.
<b>Master-Trust Scheme</b>	An investment scheme sponsored and run by a Corporate Trustee for employees of multiple organizations.
<b>Pension Fund or Scheme</b>	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.
<b>Personal Pension Scheme:</b>	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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