# Report of the Trustees

The Trustees submit their report together with the audited Financial Statements of Social Security and National Insurance Trust for the year ended 31st December 2018.

# 1.0 The Trust and the Scheme

## The Trust

The Social Security and National Insurance Trust (The Trust) manages and operates the Basic National Social Security Scheme in accordance with the National Pensions Act, 2008 (Act 766). Full implementation of Act 766 commenced in the year 2010. Employees of companies operating in Ghana are required by law to be Members of the Scheme. The Trustees' particular responsibilities include the administration of membership records, the collection and payments of contributions into the Fund, the payment of benefits and the management of the assets of the Scheme.

## The Scheme

The Basic National Social Security Scheme is the first of a 3-tier Pension Scheme established by the National Pensions Act, 2008 (Act 766).

The other tiers are:

**Tier 2** - A mandatory fully-funded and privately-managed Occupational Scheme.

**Tier 3** - A voluntary fully-funded and privately-managed Provident Fund and Personal Pension Plan.

The Basic National Social Security Scheme is a defined-benefit Social Insurance Scheme under which members contribute during their working life and receive a monthly pension in the event of Old age, Invalidity; or in the case of Death, the Members' dependants receive a Survivors' Lump Sum Benefit.

An Emigration Benefit (Lump Sum benefit) is paid to a non-Ghanaian member of the Scheme who satisfies the Trust that he or she is emigrating or has emigrated permanently from Ghana.

### Contributions and other Features

- The worker contributes 5.5% of monthly basic salary.
- The employer contributes 13% of the worker's monthly basic salary.
- The minimum contribution is 18.5% of the monthly equivalent of the approved national minimum daily wage.
    - 2.5% is transferred to the National Health Insurance Scheme for provision of medical insurance.
    - 5% is paid to Tier 2.
    - SSNIT effectively withholds 11% for the administration of Tier 1.
- The minimum contribution period shall be 180 months (15 years) in aggregate. This minimum contribution period would have come into effect in 2015. However, the amended Act 883 extended it to 2020.

- The new minimum age at which a person may join the Basic National Social Security Scheme is 15 years and the maximum is 45 years.
- A fifteen-year annuity period is guaranteed.
- Pensions are paid monthly to qualified members.
- The Pension benefits are earnings-related and based on a formula prescribed in the law governing the scheme. Other factors which affect the level of benefits are the age at which Members apply for Old Age Pension and also how long a member contributes to the Scheme.
- The Pension paid will fall between 37.5% and 60% of the average of three best years' salary depending on how long a member has contributed to the Scheme by age 60 under Act 766. Under PNDCL 247, the Pension paid falls between 50% and 80% of the average of three best years' salary depending on how long a member has contributed to the Scheme by age 60.
- Those unable to contribute up to the minimum 180 months under Act 766 or 240 months under Act 247, receive a return of their contributions accumulated at a prescribed interest rate.
- A member can opt for early retirement between ages 55 and 59 and receive a reduced pension.
- Pensions are reviewed annually based on the changes in the average wage of contributing members and other economic indicators.
- Pensioners of the Scheme are made up of those on Old Age and Invalidity Pension who receive monthly benefits through their bank accounts.

## Benefits

| | | |
|---|---|---|
| Benefits | OLD AGE RETIREMENT PENSION | Old Age Pension is paid monthly to a retired member of the Scheme. The Member who retires at age 60, which is the compulsory retirement age, and has contributed for not less than 180 or 240 months in aggregate depending on the Scheme the Member belongs, is entitled to full pension. |
| | INVALIDITY PENSION | Invalidity Pension is paid monthly to a member who is totally incapable of earning a living through working. The Member must have contributed for 12 months within the last 36 months preceding the incidence of the invalidity. |
| | SURVIVORS' LUMP SUM BENEFIT | Survivor's Lump Sum Benefit is paid in a lump sum to the nominated dependants of a Member upon his/her death. This could happen when the Member dies whilst in service or during retirement but not after age 75 or 72 years depending on the Scheme the member belongs to. |

# 2.0 Statement of Trustees' Responsibility

The Trustees are responsible for the preparation of the Financial Statements, for each financial year, that give a true and fair view of the state of affairs of the Trust. In preparing those Financial Statements, the Board of Trustees have selected suitable accounting policies that are reasonable and prudent. The Trustees believe in full disclosure and therefore adopt standard accounting practices (International Financial Reporting Standards) and ensure adequate internal controls to facilitate reliability of the Financial Statements.

The Trustees are responsible for ensuring that the Trust keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust. The Trustees are also responsible for safeguarding the assets of the Trust and taking reasonable steps for the prevention and detection of fraud and other irregularities.

# 3.0 Corporate Governance

The Trust acknowledges the importance of, and is committed to the principles of good corporate governance which include transparency and accountability.

The Board of Trustees is responsible for ensuring that the highest standards of corporate governance are achieved in directing and controlling the Trust's business.

The Board is assisted in the discharge of its duties by the undermentioned sub-committees which meet frequently in between Board meetings:

## Finance & Investment Committee

This Committee reviews, advises and makes recommendations to the Board on financial accounting and treasury policies, corporate plans and budgets; and financial operations of the Trust.

It also advises and makes recommendations on major transactions, major acquisitions, divestments and property development.

The Finance and Investment Committee is made up of the following members:

| | |
|---|---|
| Hon. (Mrs.) Abena Osei-Asare | Chairperson |
| Mr. Prince William Ankrah | Member |
| Mr. David Ofori Acheampong | Member |
| Mr. Daniel Acheampong | Member |
| Mr. Benjamin Asumang | Member |
| Dr. John Ofori-Tenkorang (Director-General) | Member |

## Audit Committee

This Committee provides oversight of risk management activities, audit processes and reviews audit reports and the Trust's risk portfolio.

It evaluates the integrity of the financial management system and accuracy of the Trust's financial reports, as derived from policies, guidelines and established procedures and makes recommendations to the Board.

Other functions of the Committee are to co-ordinate, monitor and facilitate compliance with existing laws, rules and regulations.

The Audit Committee is made up of the following members:

| | |
|---|---|
| Mr. Benjamin Asumang | Chairman |
| Mr. Alex Frimpong | Member |
| Mr. David Ofori Acheampong | Member |
| Naba (Alhaji) M. A. Azonko | Member |
| Dr. John Ofori-Tenkorang (Director-General) | Member |

## Administration, Welfare & Legal Committee

This Committee evaluates Human Resource policies, reviews remuneration systems and considers issues relating to discipline of senior management personnel.

It reviews policies for the acquisition, maintenance, security and disposal of physical assets of the Trust and further, it evaluates and make proposals to the Board on key legal strategies required to be implemented.

The Administration, Welfare and Legal Committee is made up of the following members:

| | |
|---|---|
| Mr. Alex Frimpong | Chairman |
| Naba (Alhaji) M. A. Azonko | Member |
| COP (Mrs.) Beatrice Vib-Sanziri | Member |
| Mr. Joshua Ansah | Member |
| Dr. John Ofori-Tenkorang (Director-General) | Member |

## Technical & Operations Committee

This Committee evaluates and makes recommendations to the Board on policies for ensuring the solvency of the Social Security Scheme.

It also develops policies and guidelines for assessment of benefits adequacy, service delivery improvement initiatives and strategies for expansion of the Scheme.

The Technical and Operations Committee is made up of the following members:

| | |
|---|---|
| Mr. Prince William Ankrah | Chairman |
| Mr. David Ofori Acheampong | Member |
| Mr. Joshua Ansah | Member |
| COP (Mrs.) Beatrice Vib-Sanziri | Member |
| Dr. John Ofori-Tenkorang ( Director-General) | Member |

The Committees met regularly and submitted appropriate reports to the Board of Trustees.

# 4.0 Membership of the Scheme

| | 2018 | 2017 |
|---|---|---|
| Membership as at 1st January | 4,847,327 | 4,599,374 |
| New members | 281,311 | 288,736 |
| | 5,128,638 | 4,888,110 |
| Exits from the Scheme | (38,501) | (40,783) |
| Membership as of 31st December | 5,090,137 | 4,847,327 |

The above represents the registered membership of the Scheme. The active membership, however stood at 1,533,942 as of 31st December 2018 comapred to 1,440,128 as of 31st December 2017. The membership of the Scheme as of 31st December 2017, has been restated to reflect 2018 membership status.

# 5.0 Pensioners

During the year, the number of pensioners increased from **189,549 to 200,000**

# 6.0 Actuarial Valuation

It is the policy of the Trust to arrange for an external actuarial valuation of the Scheme every three years. The latest actuarial review of the Scheme, as of 31 December 2017, concluded that, the SSNIT Scheme is not financially sustainable over the period covered by the projections from 2018 to 2092.

# 7.0 Financing

The Basic National Social Security Scheme which the Trust manages is a Defined Benefit Partially Funded Scheme and uses a scaled-premium method of financing. The Scheme is financed through the combined contributions of employees and employers as well as investment income.

Under the scaled-premium method of financing, a contribution rate is determined so that the contributions and investment income are adequate to meet the expenditure on benefits and administration over a specified period of equilibrium. When the total income is no longer sufficient to cover the total expenditure during the period, the contribution rate is raised to a new scaled-premium for another period of equilibrium starting from that year.

A significant portion of the benefits are derived from investment income. The choice of scaled-premium and the accumulation of reserves that such a choice permits, helps to minimize unfunded liabilities thereby reducing the necessary inter-generational transfers common to schemes that use the pay-as-you-go financing method.

The National Pensions Scheme uses a reduced combined contribution rate of 11.0% to finance benefits. This has resulted in a reduction of the investible funds needed to grow the Scheme's reserves and will therefore reduce the equilibrium period.

# 8.0 Investments

The Trust is the only legally authorised institution to operate the mandatory Basic National Social Security Scheme in Ghana and consequently has the responsibility, amongst others, for investing the Scheme's resources in order to fulfil its obligations to current and prospective pensioners. This entails a diversified investment of the Scheme's resources into promising areas of the Ghanaian economy, in particular, the financial, manufacturing, service sectors, and residential and commercial properties.

The investment portfolio is mostly locally based and structured into short, medium and long-term investments. The main categories of the investments are stocks, bonds, equities, residential and commercial properties, loans and short term cash deposits.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Portfolio | Rate of Return | Portfolio | Rate of Return |
| | % | % | % | % |
| **Investment properties** | **24.53** | **10.35** | 21.34 | 22.97 |
| **Available for sale** | **57.09** | **1.75** | 46.49 | 27.42 |
| **Held to maturity** | **14.82** | **18.99** | 21.34 | 18.68 |
| **Loans and receivables** | **3.12** | **3.21** | 10.42 | 10.15 |
| **Student loans** | **0.44** | **11.65** | 0.41 | 11.55 |
| | **100.00** | | 100.00 | |

**Investment Properties**
These are long-term investments and carried at market values determined periodically. Investment properties are not subject to depreciation.

**Equity Investments**
This relates to investment in listed and unlisted equities.

**Held to Maturity**
This relates to bonds, treasury bills and fixed deposits.

**Loans and Receivables**
Represent advances to companies less related impairment allowance.

**By order of the Board of Trustees:**

**Trustee:**
29/01/2020

**Director-General:**
29/01/2020

# Actuarial Opinion

This report was prepared as requested under Article 53 of the National Pensions Act 2008, Act 766.

In our opinion:

- the data on which this report is based are sufficient and reliable although there are some aspects related to the reconciliation of the data and the mortality rates which create some uncertainties;
- the assumptions used are, individually and in aggregate, reasonable and appropriate; and
- the methodology employed is appropriate and consistent with accepted actuarial practice.

Based on the results of this valuation, we hereby certify that the SSNIT scheme is not financially sustainable over the period covered by the projections from 2018 -2092. This means that in considering applicable financing rules and the future demographic and economic environment in which it will operate, the current assets of the SSNIT scheme, together with future contributions, will not be sufficient to pay all future benefits and administrative and operational expenses over the period covered by the projections in this report.

This report has been prepared, and our opinions given, in accordance with internationally accepted actuarial practice as provided by the International Standard of Actuarial Practice 2: Financial Analysis of Social Security Programs.

20 October 2020

**Georges Langis, FSA, FCIA**
Actuary
ILO external collaborator

**Alexandre Landry, FSA, ACIA**
Actuary
ILO external collaborator

**André Picard, FSA, FCIA**
Chief Technical Adviser
Head of Actuarial Services Unit
ILO Social Protection Department

# Independent Auditor's Report

## Opinion

We have audited the financial statements of Social Security and National Insurance Trust (SSNIT) which comprise: the Statement of net assets available for benefits as of 31 December 2018, the Statement of changes in net assets available for benefits and Statement of cash flows for the year then ended, and notes to the financial statements as set out on pages 15 to 55 including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the Statement of net assets available for benefits of Social Security and National Insurance Trust as of 31 December 2018, its financial performance and of its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the National Pensions Act, 2008 (Act 766) as amended.

## Basis for Opinion

We conducted our audit in accordance with International Standards for Supreme Audit Institutions. 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 entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the current period. These matters were addressed in the context of our audit of the financial statements and informing our opinion thereon and we do not provide a separate opinion or conclusion on these matters.

| Key Audit matter | How it was addressed |
|---|---|
| ***Impairment provision on Financial Assets (loans and advances) including IFRS 9 transition*** | |
| We focused on this area because management exercises significant judgement, using subjective assumptions when determining both the timing and the amounts of the impairment provision for Financial Assets (loans and advances). As loans and advances comprise a substantial portion of the Trust's Investments, and due to the significance of judgement used in estimating both the individual and collective provisions, this is considered to be a key audit matter.<br><br>In addition, the Trust adopted the IFRS 9 for accounting periods beginning on or after 1 January 2018. This is a new and complex accounting standard which has required considerable judgement and interpretation in its implementation.<br><br>We consider this transition and the required disclosure to be a key audit matter because new models have been developed by the Trust with its external consultant to calculate IFRS 9 impairment losses and judgement is required in a number of significant areas, in particular around the calculation of Expected Credit Losses.<br><br>Note 2 "Bases of Preparation" including Use of estimate and Judgements.<br><br>Note 3 "Summary of Significant Accounting Policies" and Note 6 "Financial Assets" to the financial statements provide detailed information on the estimation of the individual and collective provision for impairment of Financial Assets (loans and advances) as of 31 December 2018.<br><br>Note 3 "Summary of Significant Accounting Policies" to the financial statements provides information on the adoption of IFRS 9 "Financial Instruments by the Trust and its impact on the opening balances as of 1 January 2018 provided in Note 24. | We have focused on the following judgements and estimates which could give rise to a material misstatement or are potentially subject to management bias:<br><br>↘ The completeness and timing of recognition of loss events;<br>↘ The measurement of individually assessed provisions, which is dependent on the valuation of collateral, the timing of cash flows and realisations;<br>↘ The measurement of modelled provisions, which is dependent upon key assumptions relating to the probability of default, loss given default and expected future recoveries discounted to present value.<br><br>**In obtaining sufficient audit evidence we:**<br><br>↘ Reviewed design and operating effectiveness of key controls around the process of loan performance monitoring;<br>↘ Reviewed impairment methodology to establish key inputs used in the calculation of collective provisions and on a sample basis tested the key inputs used;<br>↘ Evaluated and tested the key assumptions and judgements adopted by management;<br>↘ Performed procedures to obtain comfort on the accuracy of the collective impairment calculation process through recalculation of the provision charge based on audited inputs;<br>↘ For material non-performing loans, we performed loan file reviews to inspect relevant evidences and assessed the adequacy of the recognised individual provision losses;<br>↘ Assessed the disclosures made against the relevant accounting standards.<br><br>We determined that the methodologies and models used are appropriate and the outputs are reasonable. |

## Other Information

The Trustees are responsible for the other information. The other information comprises the Trustees' Report and Actuary's Report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

## Responsibilities of the Trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the National Pensions Act, 2008 (Act 766) and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting, unless the Trustees either intend to liquidate the Trust or to cease operations or have 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 the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Fundamental Auditing Principles (ISSAIs 100-999) of the International Standards for Supreme Audit Institutions, we exercise professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the

financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**JOHNSON AKUAMOAH ASIEDU**
**DEPUTY AUDITOR GENERAL / CAD**
**For: AUDITOR GENERAL**
**P.O. Box M 96, Accra**

**Date: 31/01/ 2020**

# Statement of Net Assets available for Benefits as of 31st December 2018

## Statement of Net Assets

| | NOTE | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant & equipment | 4 | 515,792 | 442,686 |
| Intangible asset - Computer software | 4c | 35,612 | 81,981 |
| Investment properties | 5a | 2,071,550 | 1,995,555 |
| Investment in Subsidiaries | 5e | 114,682 | 113,957 |
| Non-current financial assets | 6a | 5,670,913 | 5,991,836 |
| | | 8,408,549 | 8,626,015 |
| **Current assets** | | | |
| Housing stock | 9 | 2,969 | 2,969 |
| Inventories | 8 | 2,902 | 3,153 |
| Current financial assets | 6b | 736,700 | 1,425,841 |
| Prepayments and advances | 6c | 40,971 | 48,148 |
| Cash and bank balances | 7 | 68,902 | 77,567 |
| | | 852,444 | 1,557,678 |
| **Current liabilities** | | | |
| Accounts payable | 10 | (421,581) | (324,004) |
| Ghana Education Trust Fund | 11 | (26,418) | (26,418) |
| | | (447,999) | (350,422) |
| Net current assets | | 404,445 | 1,207,256 |
| **Total assets less current liabilities** | | 8,812,994 | 9,833,271 |
| **Represented by** | | | |
| Net assets at 1 January | | 9,833,271 | 8,405,594 |
| Current year movement | | (381,625) | 1,427,677 |
| | | (638,652) | - |
| Net assets at 31 December available for benefits | | 8,812,994 | 9,833,271 |

The notes on **pages 50 to 87** form an integral part of these financial statements.
The financial statements on **pages 46 to 87** were approved by the Board of Trustees on **29/01/ 2020** and were signed on its behalf by:

.............................................
**Trustee**
29/01/ 2020

.............................................
**Director-General**
29/01/ 2020

# Statement of Changes in Net Assets Available for Benefits for the Year Ended 31st December 2018

| | NOTE | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| **Income** | | | |
| Contributions received | 13 | 2,719,515 | 2,374,229 |
| Net investment income | 14a | 435,960 | 405,980 |
| Other income | 14b | 41,014 | 421,995 |
| | | 3,196,489 | 3,202,204 |
| **Direct costs** | | | |
| Operational cost | 15a | (195,463) | (185,910) |
| Benefits | 15b | (2,495,447) | (2,189,475) |
| | | (2,690,910) | (2,375,385) |
| Surplus of income over direct costs | | 505,579 | 826,819 |
| General and administrative expenses | 16a | (289,045) | (261,523) |
| Credit loss expenses | 16b | (153,446) | |
| | | 63,088 | 565,296 |
| Transfer to National Health Insurance Scheme | 18 | (506,022) | (433,643) |
| **Net surplus** | | (442,934) | 131,653 |
| **Movement in net assets available for benefits** | | | |
| Surplus of income over expenditure | | (442,934) | 131,653 |
| Net increase in the value of investments | 19 | 61,309 | 1,296,024 |
| **Net current year movement in net assets available for benefits** | | (381,625) | 1,427,677 |

The notes on **pages 50 to 87** form an integral part of these financial statements.

# Statement of cash flows for the year ended 31st December, 2018

| | NOTE | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net surplus | | (442,934) | 131,653 |
| Depreciation - Tangible assets | 4 | 27,948 | 31,610 |
| Amortisation - Intangible assets - Computer software | 4c | 46,369 | 31,583 |
| Impairment loss on financial assets | | 153,446 | - |
| Profit/Loss on disposal of Fixed Assets | | (162) | (204) |
| Other non-cash items | | 3,721 | - |
| | | (211,612) | 194,642 |
| **Adjustment for movement in working capital** | | | |
| (Increase)/Decrease in housing stock | 9 | - | - |
| (Increase) in inventories | 8 | 251 | 128 |
| (Increase) in current financial assets (more than 91 days but less than 1 year) | | 48,473 | 91,206 |
| (Increase)/Decrease in prepayment | | 7,177 | 23,317 |
| Increase in payables | 10 | 97,577 | (31,945) |
| (Increase) in investment properties | 5d | (75,995) | (106,482) |
| Decrease/(Increase) in Non-current financial assets | | (66,044) | 439,167 |
| **Net cash (used for) / generated from operating activities** | | (200,173) | 610,033 |
| **Investing activities** | | | |
| Purchase of property, plant & equipment | 4 | (104,864) | (18,507) |
| Purchase of intangible assets - Computer software | 4c | - | (7,611) |
| Proceeds from the sale of property, plant & equipment | | 251 | 907 |
| | | (104,613) | (25,211) |
| **Increase in cash and cash equivalent** | | (304,786) | 584,822 |
| Cash and cash equivalents at 1st January | | 801,774 | 216,952 |
| **Balance at 31st December** | | 496,988 | 801,774 |
| **Analysis of cash and cash equivalent** | | | |
| Current financial assets (Within 91 days) | | 428,086 | 724,207 |
| Cash & bank balances | | 68,902 | 77,567 |
| | | 496,988 | 801,774 |

The notes on **pages 50 to 87** form an integral part of these financial statements.

# Notes to the Financial Statements

## 1.0 Corporate Information

The Social Security and National Insurance Trust (SSNIT) is a statutory public Trust established under NRCD 127 to administer Ghana's National Pension Scheme. The Social Security Law (PNDC Law 247) under which the current Social Security Scheme used to operate was passed in 1991. This was repealed by the National Pensions Act, 2008 (Act 766) which provides for a three-tier pension scheme. SSNIT is mandated by the law to manage the 1st tier which is compulsory for all Ghanaian workers.

SSNIT is presently the largest non-banking financial institution in the country. Its primary responsibility is to replace part of lost income to member workers due to Old Age, Invalidity, Death or Emigration through the administration of a Social Security Scheme. The principal activities of the SSNIT are described in the Report of the Trustees.

The address of the Head Office of the SSNIT is Pension House, Ministries, Pension Road, Accra.

## 2.0 Basis of Preparation

### 2.1 Statement of Compliance

The Financial Statements of the Trust have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretation as issued by the International Accounting Standards Board (IASB).

### 2.2 Basis of Measurement

The Financial Statements have been prepared under the historical cost basis as modified to include fair valuation of specified investment properties, financial assets and liabilities to the extent required or permitted under accounting standards and as set out in the relevant accounting policies. The Financial Statements are presented in Ghana cedi (GH¢) and all values are rounded to the nearest thousand Ghana cedis except when otherwise indicated.

### 2.3 Basis of Consolidation

The Trust is an investment entity and, as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value. Investments in associates are also classified as fair value through profit or loss, and measured at fair value.

### 2.4 Use of Estimates and Judgement

The preparation of the Trust's Financial Statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 described below. The Trust based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Trust. Such changes are reflected in the assumptions when they occur.

### Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of net assets available for benefits cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

### Fair Value of Investment Properties

The fair value of investment properties was assessed by Property Appraisal & Investment Consult, an accredited independent valuer with a recognised and relevant professional qualification, and with recent experience in the location and category of the investment properties being valued. The fair value of completed investment property has been determined on a market value basis in accordance with International Valuation Standards (IVS), as set out by the International Valuation Standards Council (IVSC). In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

### Fair Value of Investment in Private Equity Investment Funds

The Fund invests in private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The Fund's investment manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV (Net Asset Value) of these funds may be used as an input into measuring their fair value.

### Provisions

Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## 2.5 Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

# 3.0 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 Trust's functional and presentation currency and values are rounded to the nearest thousand (GH¢'000) except when otherwise stated.

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

## 3.2 Contributions

Contributions are accounted for on a cash basis. An accrual basis is not considered appropriate because it would result in substantial debtor accounts which may not be recoverable. However, where satisfactory payment arrangements have been concluded, contributions on behalf of Government workers are accrued.

The Contribution rates used are stipulated in the National Pensions Act, 2008 (Act 766) which stipulates the following rates:

| | | |
|---|---|---|
| Workers' contribution | 5.5% | |
| Employers' contribution | 13.0% | of Workers' Pay |

Members who were 50 years and above in 2010 and did not opt for the National Pension Act, 2008 (Act 766) still contribute 17.5% of their salary under the transitional period of 10 years.

## 3.3 Investment Income

Interest earned on investment securities is reported as interest income. Dividends received are included separately in dividend income. Investment income is reported net of management cost and impairment. Interest income is recognised for financial instruments (corporate loans) measured at amortised cost using the effective interest method. Financial Assets include debt securities which management intends to hold until maturity and are stated at fair value. They also include equity securities which are stated at fair value.

When a financial asset or a group of similar financial assets have been written down as a result of impairment, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expenses on financial assets and liabilities held at fair value through profit or loss are recognized in the Statement of changes in net assets in the period they arise. Fees and commissions, income and expenses that are an integral part to the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

## 3.4 Benefits Paid

Benefits paid represent all valid benefit claims paid during the year. These include lump sum payments made under the Pension Scheme.

## 3.5 Financial assets

### A Categorisation of Financial Assets

The Trust classifies its financial assets in the following categories: financial assets held at fair value through profit or loss; loans and receivables; available-for-sale financial assets; and held-to-maturity investments. Management determines the categorisation of its financial assets at initial recognition.

### B 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

The Trust classifies financial assets as held for trading when they have been purchased for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together for which there is evidence of a recent pattern of short-term profit taking. Held for trading assets are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net investment income. Interest and dividend income is recorded in net investment income according to the terms of the contract, or when the right to payment has been established.
Included in this classification is equities and short positions that have been acquired principally for the purpose of selling.

#### ii. Designated at Fair Value Through Profit or Loss (FVPL)

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at FVPL upon initial recognition when one of the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

Or

- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Or

- The financial instrument contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gain or loss on financial assets and liabilities designated at FVPL. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument, while dividend income is recorded in other operating income when the right to the payment has been established.

### C Loans and Receivables

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

### D 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. The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

### E Held-to-maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Trust has the positive intention and ability to hold to maturity. This comprises investments in short-term Government securities and medium-term investments in Government bond and other securities such as corporate bonds. Investments in securities are categorised as held-to-maturity financial assets.

### F Initial Recognition of Financial Assets

Purchase and sales of financial assets held at fair value through profit or loss, available for sale financial assets and liabilities are recognised on the date the Trust commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced to borrowers.

Financial assets are initially recognised at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit or loss.

### G Subsequent Measurement of Financial Assets

Available for sale financial assets are subsequently measured at fair value with the resulting changes recognised in equity. The fair value changes on available for sale financial assets are recycled to the Statement of changes in net assets when the underlying asset is sold, matured or derecognised. Financial assets classified as fair value through profit or loss are subsequently measured at fair value with the resulting changes recognised in the statement of change in net assets available for benefits.

### H Derecognition

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Trust has transferred substantially all risks and rewards of ownership. Any interest in the transferred financial assets that is created or retained by the Trust is recognised as a separate asset or liability.

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

### I Fair Value Measurement

The determination of fair value of quoted financial assets and liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for a financial asset or liability is not actively traded or the asset is unlisted, the Trust establishes fair values by using valuation techniques. These techniques include the use of arm's length transactions discounted cash flow analysis, and valuation models and techniques commonly used by market participants in setting a price.

The valuation techniques may be adjusted to allow for a number of factors as appropriate because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction.

### J Amortised Cost Measurement

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

### K Identification and Measurement of Impairment

The Trust assesses 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 borrower, restructuring of a loan and other observable data that suggests adverse changes in the payment status of the borrowers. Impairment losses on available for sale financial assets are recognised by transferring the difference between the acquisition cost and the current fair value out of equity to the statement of change in net assets available for benefits.

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

If there is objective evidence that an impairment loss on a loan and receivable has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of changes in net assets. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less cost of obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of basis of impairment, financial assets are grouped on the basis of similar credit risk characteristics. These characteristics are relevant to the estimation of future cash flows for the group of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the Trust. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of changes in net assets.

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

**Investments in Securities**

This comprises investments in short-term Government securities and medium-term investments in Government and other securities such as bonds. Investments in securities are categorised as held-to-maturity financial assets.

## 3.5.1 IFRS 9 - Financial instruments (From 1 January 2018)

In the current period, the Trust has adopted IFRS 9 Financial Instruments. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

### B Financial assets

The Trust classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss based on both:

- The entity's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Trust measures financial assets at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below:

**i. Business model assessment**

The Trust determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Trust's assessment.

**ii. The solely payments of principal and interest SPPI test**

As a second step of its classification process, the Trust assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Trust applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

**iii. Financial assets measured at fair value through profit or loss (FVPL)**

A financial asset is measured at fair value through profit or loss if:

A Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Or

B It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Or

C At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases. The Trust includes in this category:

- Equity instruments: Included within equity instruments are investments in subsidiaries and other equity investments.

- Investment in subsidiaries: in accordance with the exception under IFRS 10, the Trust does not consolidate subsidiaries in the Financial Statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Trust's investment activities. The Trust has no consolidated subsidiaries. The Trust measures unconsolidated subsidiaries (including loans to subsidiaries) at FVPL.

## C Impairment of f inancial assets

### i. Overview of the ECL principles

The Trust has recorded the allowance for expected credit losses (ECL) for all debt financial assets not held at FVPL. Equity instruments are not subject to impairment under IFRS 9. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined below. The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Trust has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
Based on the above process, the Trust groups its financial assets into Stage 1, Stage 2 and Stage 3, as described as follows:

**Stage 1:** When financial assets are first recognised, the Trust recognises an allowance based on 12mECLs. Stage 1 financial assets also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.

**Stage 2:** When a financial asset has shown a significant increase in credit risk since origination, the Trust records an allowance for the LTECLs. Stage 2 financial assets also include facilities, where the credit risk has improved, and the financial assets has been reclassified from Stage 3.

**Stage 3:** Financial assets considered credit impaired. The Trust records an allowance for the LTECLs. For financial assets for which the Trust has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

**The calculation of ECLs**

The Trust calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

**PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

**EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.

**LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Trust considers three scenarios (a base case, an upturn and downturn). Each of these is associated with different PDs, EADs and LGDs, as set out below. When relevant, the assessment of multiple scenarios also incorporates how defaulted financial assets are expected to be recovered, including the probability that the financial assets will cure and the value of collateral or the amount that the Trust can received from selling the asset.

The mechanics of the ECL method are summarized below:

**Stage 1:** The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Trust calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios.

**Stage 2:** When a financial asset has shown a significant increase in credit risk since origination, the Trust records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

**Stage 3:** For financial assets considered credit-impaired, the Trust recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

#### ii. Impairment of financial assets Forward-looking information

In its ECL models, the Trust relies on a broad range of forward-looking information as economic inputs, such as:

- Inflation rate
- Unemployment rate
- Exchange rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the Financial Statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

### D Write-offs

Financial assets are written off either partially or in their entirety only when the Trust has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

## 3.6 Property, Plant and Equipment

### I Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

### II Subsequent Costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Trust and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the Statement of changes in net assets as incurred.

### III Depreciation

Depreciation is recognised in the Statement of changes in net assets on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The principal annual depreciation rates used are as follows:

| | |
|---|---|
| Freehold properties | 2% |
| Leasehold properties | Over the unexpired lease period |
| Motor vehicle | 25% |
| Furniture | 25% |
| Equipment | 20% |
| Computer Hardware | 25% |
| Computer Software | 25% |

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from disposal with the carrying amounts of property, plant and equipment and are recognised in the Statement of changes in net assets as other income.

### IV Disposal

An item of Property, Plant and Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal are included in the Statement of changes in net assets.

## 3.7 Employee Benefits

### A Short-term Benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Trust has a constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### B Post-employment Benefits

The Trust has a Staff Occupational Scheme for all employees who have completed serving their probation period.

Employees contribute 7.5% of their basic salary to the Scheme while the Trust contributes 12.0%. The obligation under the plan is limited to the relevant contribution and these are settled on due dates by the Fund Manager.

"The Staff Occupational Scheme is a retirement plan under which the Trust pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Trust in a fund under the control of Trustees. The total expense charged to income of GH¢19,926,383.93 (2017: GH¢ 18,707,527.60) represents contributions paid to these plans by the Trust at rates specified in the rules of the plan."

### C Termination Benefits

Termination Benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Trust recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

## 3.8 Provisions

Provisions are recognised when the Trust 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.

## 3.9 Investment properties

Investment properties are treated as long-term investments and carried at market values determined periodically. Investment properties are not subject to depreciation. Increases in their carrying amounts are credited to the movements of net assets. Decreases that offset previous increases of the same asset are charged against the movement of net assets. All other decreases are charged to the revenue account.

## 3.10 Actuarial Position

The Financial Statements summarise the transactions and net assets of the Pension Scheme. The Financial Statements do not take account of liabilities to pay pensions and other benefits in the future. This is considered in the Actuarial Valuation Report.

The financial and actuarial status of the Scheme is assessed triennially by an independent consulting Actuary. The last Actuarial Valuation Report was prepared upon a cumulative assessment of the Trust's financial results and position as of 31st December 2014.

## 3.11 Inventory

Inventory is valued at the lower of cost and net realisable value. Cost includes all direct expenditure incurred in bringing the goods to their present location and condition, and is determined using weighted average method.

## 3.12 Cash and Cash Equivalent

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non–restricted current accounts with banks and short-term investment with an original maturity of three months or less.

## 3.13 Standards, Amendments and Interpretations Issued but not yet Effective

At the date of authorisation of these Financial Statements the following standards, revisions and interpretations were in issue but not yet effective.

The Trust has decided not to early adopt any of the standards.

### 3.13.1 Standards Issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Trust's Financial Statements are disclosed below, except for those standards which, in the opinion of the Board, will clearly not impact the Trust. The Trust intends to adopt these standards, if applicable, when they become effective.

**Amendments to IAS 1 and IAS 8: Definition of Material**

In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Trust's Financial Statements.

### IFRS 16: Leases

IFRS 16 was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated Financial Statements.

## 4a Property, Plant & Equipment - 2018

| 94,565<br>Cost | Land & buildings<br>GH¢'000 | Equipment<br>GH¢'000 | Furniture & fittings<br>GH¢'000 | Motor vehicles<br>GH¢'000 | Capital work in progress<br>GH¢'000 | Total<br>GH¢'000 |
|---|---|---|---|---|---|---|
| At 1st January | 404,211 | 123,350 | 10,794 | 24,145 | 17,145 | 579,645 |
| Additions | - | - | - | - | 104,864 | 104,864 |
| Capitalised WIP | 95,077 | 2,818 | 1,293 | 1,682 | (100,870) | - |
| Transfers - Project WIP | 4,628 | - | - | - | (4,628) | - |
| Transfer - Donations | (3,721) | | | | | (3,721) |
| Disposals | - | (468) | (179) | (759) | - | (1,406) |
| **At 31 December** | **500,195** | **125,700** | **11,908** | **25,068** | **16,511** | **679,382** |

## Depreciation/Impairment

| | | | | | | |
|---|---|---|---|---|---|---|
| At 1 January | 19,116 | 94,565 | 8,297 | 14,981 | - | 136,959 |
| Charge for the year | 6,505 | 15,980 | 1,258 | 4,205 | - | 27,948 |
| Revaluation | - | | | | | - |
| Disposals | - | (401) | (157) | (759) | - | (1,317) |
| At 31st December | 25,621 | 110,144 | 9,398 | 18,427 | - | 163,590 |
| **Net book value** | **474,574** | **15,556** | **2,510** | **6,641** | **16,511** | **515,792** |

## Disposal Schedule

| | Cost GH¢'000 | Accum. Depn. GH¢'000 | NBV GH¢'000 | Proceeds GH¢'000 | Profit/(Loss) on disposal GH¢'000 |
|---|---|---|---|---|---|
| **Motor Vehicle** | 759 | 759 | - | 205 | 205 |
| **Equipment** | 468 | 401 | 67 | 13 | (54) |
| **Furniture & fittings** | 179 | 157 | 22 | 33 | 11 |
| | 1,406 | 1,317 | 89 | 251 | 162 |

# 4b Property, Plant & Equipment - 2017

| | Land & buildings | Equipment | Furniture & fittings | Motor vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|
| **Cost** | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| | | | | | | |
| **At 1st January** | 380,637 | 121,092 | 10,475 | 22,175 | 17 | 534,396 |
| **Additions** | 173 | - | - | - | 18,334 | 18,507 |
| **Transfers** | 6,426 | 2,609 | 749 | 2,074 | (11,858) | - |
| **Assets reclassified to receivable** | 1,647 | - | - | (104) | 10,652 | 12,195 |
| **Revaluation** | 16,402 | | | | | 16,402 |
| **Disposals** | (1,074) | (351) | (430) | - | - | (1,855) |
| **At 31 December** | **404,211** | **123,350** | **10,794** | **24,145** | **17,145** | **579,645** |

### Depreciation /Impairment

| | | | | | | |
|---|---|---|---|---|---|---|
| At 1st January | 16,705 | 72,728 | 7,273 | 10,839 | - | 107,545 |
| Charge for the year | 4,192 | 22,009 | 1,267 | 4,142 | - | 31,610 |
| *Revaluation | (1,044) | | | | | (1,044) |
| Disposals | (737) | (172) | (243) | - | - | (1,152) |
| At 31st December | 19,116 | 94,565 | 8,297 | 14,981 | - | 136,959 |
| **Net book value** | **385,095** | **28,785** | **2,497** | **9,164** | **17,145** | **442,686** |

### Disposal Schedule

| | Cost | Accum. Depn. | NBV | Proceeds | Profit/(Loss) on disposal |
|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| **Land & buildings** | 1,074 | 737 | 337 | 648 | 311 |
| **Equipment** | 351 | 172 | 179 | 19 | (160) |
| **Furniture & fittings** | 430 | 243 | 187 | 240 | 53 |
| | 1,855 | 1,152 | 703 | 907 | 204 |

## 4c. Intangible Asset - Computer Software

| | 2018 | 2017 |
|---|---|---|
| | GH¢'000 | GH¢'000 |
| **Cost** | | |
| At 1st January | 203,277 | 195,666 |
| Additions | - | 7,611 |
| Transfers | - | - |
| Revaluation | - | - |
| Disposals | - | - |
| | **203,277** | **203,277** |

### Amortisation

| | | |
|---|---|---|
| At 1st January | 121,296 | 89,713 |
| Charge for the year | 46,369 | 31,583 |
| Disposals | - | - |
| At 31st December | 167,665 | 121,296 |
| **Net book value** | **35,612** | **81,981** |

* This transfer relates to the accumulated depreciation as of the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

## 5a Investment Properties

| | Note | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| Commercial properties | 5b | 1,674,658 | 1,659,543 |
| Work-in-progress - real estate under construction | 5c | 396,892 | 336,012 |
| | | **2,071,550** | **1,995,555** |

The fair value of investment properties for 2017 comparative was assessed by Property Appraisal & Investment Consult, an accredited independent valuer with a recognised and relevant professional qualification, and with recent experience in the location and category of the investment properties being valued. The fair value of completed investment property has been determined on a market value basis in accordance with IVS, as set out by the IVSC. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables.

The highest and best use of the investment properties is not considered to be different from its current use. Rental income earned and received from the investment properties during the year was GH¢ 29,999,000 (2017 : GH¢39,319,000).

Direct expenses incurred in relation to the investment properties that generated rental income during the year was GH¢10,102,000 (2017: GH¢7,781,000). During the year and as of the year-end, no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal were present. The Fund does not have any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

## 5b Commercial Properties

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Balance at the beginning | 1,659,543 | 1,350,145 |
| Additions | 15,115 | 5,084 |
| Transfer | - | - |
| SSNIT occupancy | - | (173) |
| Net Gain/(Loss) from Fair Valuation | - | 304,487 |
| | **1,674,658** | **1,659,543** |

The valuation report for 2018 had been prepared with the following assumptions:

i That no high alumina cement concrete or calcium chloride or other potentially deleterious material was used in the construction of the property or has since been incorporated.

ii That the assets are not subject to any unusual or especially onerous restrictions encumbrances or outgoings and that in the absence of titles to the lands, assumptions of the usual lease terms have been made.

iii The properties and the values are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries or by any statutory notice and that neither the properties nor their intended used are or would be unlawful.

iv That inspection of those parts which are unexposed will neither reveal material defects nor cause the valuer to alter the valuation materially.

v That the physical conditions of the buildings were based on visual inspection only. No liability is assumed for the soundness of the structures since no engineering or soil tests were made of the building.

vi Information and data gathered from the relevant land sector agencies and other authorities pursuant to preparing the valuation report and other secondary data are true and correct.

vii Information furnished by accredited officers of the Trust is believed to be true and correct. However, no warranty is given for its accuracy.

## 5c Real Estate under Construction

| | 2018<br>GH¢'000 | 2017<br>GH¢'000 |
|---|---|---|
| Balance at 1st January | 336,012 | 246,739 |
| Additions during the year | 60,880 | 101,571 |
| Transfer to completed investment property | - | - |
| Transfer to Property, Plant & Equipment | - | (12,298) |
| **At 31st December** | **396,892** | **336,012** |

## 5d Investment Properties Additions

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Estate under construction | 60,880 | 101,571 |
| Commmercial properties net of transfer from Estate under construction | 15,115 | 5,084 |
| | 75,995 | 106,655 |
| SSNIT Occupancy catered for in PPE | - | (173) |
| | **75,995** | **106,482** |

## 5e Investment in Subsidiaries

| | | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| **(i)** | **SSNIT Hospital** | | |
| | Balance at the beginning | 110,956 | 51,554 |
| | Additions | - | - |
| | Revaluation Gain/(Loss) | - | 59,402 |
| | | 110,956 | 110,956 |
| **(ii)** | **SSNIT Guest House** | | |
| | Balance at the beginning | 2,777 | 2,371 |
| | Additions | - | - |
| | Revaluation Gain/(Loss) | 725 | 406 |
| | | 3,502 | 2,777 |
| **(iii)** | **Bridal Trust Ltd** | | |
| | Balance at the beginning | 224 | 224 |
| | Additions | - | - |
| | Revaluation Gain/(Loss) | - | - |
| | | 224 | 224 |
| | **Total Investment in Subsidiaries** | 114,682 | 113,957 |

## 6a Non-current Financial Assets

| | | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| (i) | **Fair value through profit or loss** | | |
| | Listed equities | 2,459,601 | 2,226,885 |
| | Unlisted equities | 2,254,371 | 1,992,984 |
| | | **4,713,972** | **4,219,869** |
| (ii) | **Amortised cost - Government & corporate bonds** | 626,927 | |
| | Ghana Government bonds | 166,982 | 1,005,919 |
| | Corporate bonds | 5,000 | 160,382 |
| | Treasury Note (more than one year) | (105,377) | 5,000 |
| | | **693,532** | **1,171,301** |
| (iii) | **Amortised cost - Loans and receivables** | | |
| | Corporate loans | | |
| | Gross | 1,229,160 | 1,259,777 |
| | Impairment | (965,751) | (659,111) |
| | | **263,409** | **600,666** |
| | **Total non-current financial assets** | 5,670,913 | 5,991,836 |

## 6b Current Financial Assets

| | | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| (i) | **Amortised cost - Fixed deposits** | | |
| | Fixed deposit maturing within 91 days | 428,086 | 724,207 |
| | Fixed deposit maturing after 91 days | 132,501 | 93,947 |
| | Impairment | (253) | |
| | | **560,334** | **818,154** |
| (ii) | **Amortised cost - Student Loans** | | |
| | Student loans | 179,830 | 178,152 |
| | Impairment | (142,464) | (140,199) |
| | | **37,366** | **37,953** |
| | | | - |

| | | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| (iii) | **Amortised cost - Loans and receivables** | | |
| | **Corporate loans** | | |
| | Gross | 482,873 | 513,616 |
| | Impairment | (482,722) | (143,249) |
| | | **151** | **370,367** |
| | | | |
| (iv) | **Other accounts receivable** | | |
| | Investment income | 106,348 | 135,118 |
| | Staff debtors | 45,490 | 39,216 |
| | Current accounts of subsidiaries | 21,120 | 21,120 |
| | Sundry debtors | 19,949 | 3,913 |
| | | (54,058) | |
| | | 138,849 | 199,367 |
| | **Total current financial assets** | **736,700** | **1,425,841** |

Analysis of corporate loans by business segment

| | 2018 GH¢'000 | % | 2017 GH¢'000 | % |
|---|---|---|---|---|
| Financial | 189,602 | 11.07 | 189,602 | 10.69 |
| Services | 865,423 | 50.55 | 926,783 | 52.26 |
| Manufacturing | 3,380 | 0.20 | 3,380 | 0.19 |
| Real Estate | 653,627 | 38.18 | 653,627 | 36.86 |
| **Gross loans and advances** | 1,712,032 | 100.00 | 1,773,393 | 100.00 |
| Less impairment allowance | (1,448,473) | | (802,360) | |
| | **263,559** | | **971,033** | |

## 6c Prepayments and Advances

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Prepayment | 1,929 | 421 |
| Advances to contractors | 39,019 | 47,690 |
| Deposits for houses | 23 | 37 |
| | **40,971** | **48,148** |

## 7.0 Cash and Bank Balances

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Call deposits | - | - |
| Current account balances | 68,902 | 77,567 |
| | 68,902 | 77,567 |

## 8.0 Inventory

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Stationery | 2,622 | 2,931 |
| Spare parts | 263 | 215 |
| Fuel and lubricants | 17 | 7 |
| | 2,902 | 3,153 |

## 9.0 Housing Stock

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Opening balance | 2,969 | 2,958 |
| Additions during the year | - | 11 |
| Transfers during the year | - | - |
| Disposals | - | - |
| **Closing balance** | 2,969 | 2,969 |

## 10.0 Accounts payable

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Retention fees | 14,034 | 12,201 |
| Suppliers and accrued liabilities | 309,772 | 225,648 |
| Rent received in advance | 83,914 | 77,612 |
| Sundry payables | 10,713 | 5,395 |
| Returned pensions | 3,148 | 3,148 |
| | 421,581 | 355,949 |

## 11.0 Ghana Education Trust Fund

The Ghana Education Trust Fund (GETFUND) made available to the Trust an amount of GH¢26.42 million (2017: GH¢26.42 million) for onward lending to students under the Students Loan Scheme. The fund from GETFUND is interest free and there is no timeline for the repayment of the fund provided to the Trust.

## 12.0 Segmental Reporting

Segmental information is presented in respect of the Trust's business segments. The Trust is organised into three main business segments: Operations, Investment and Administration. The Branch and Area Offices together with the coordination functions constitute the Operations segment which is primarily responsible for contribution collection and benefits payment. The Investment segment manages the Treasury, Investment and Development functions of the Trust while the Administrative segment is responsible for general administration.

| 2018 | Operations GH¢'000 | Investments GH¢'000 | Administration GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|
| Contributions | 2,719,515 | - | - | 2,719,515 |
| Investment income | - | 438,368 | - | 438,368 |
| Other income | - | - | 41,014 | 41,014 |
| | **2,719,515** | **438,368** | **41,014** | **3,198,897** |
| Investment management expenses | - | (15,946) | - | (15,946) |
| Diminution in fair value of listed shares | - | (9,532) | - | (9,532) |
| Diminution in fair value of unlisted shares | - | 23,070 | | 23,070 |
| Benefits | (2,495,447) | | - | (2,495,447) |
| Operational costs | (195,463) | - | - | (195,463) |
| Administration costs | - | - | (289,045) | (289,045) |
| Impairment losses | | | | (153,446) |
| **Total operating expenses** | **(2,690,910)** | **(2,408)** | **(289,045)** | **(3,135,809)** |
| Surplus of Income before NHIS | 28,605 | 435,960 | (248,031) | 63,088 |
| Transfer to NHIS | (506,022) | - | - | (506,022) |
| Surplus of Income after expenditure | (477,417) | 435,960 | (248,031) | (442,934) |
| **Total assets** | | | | **9,260,993** |
| **Total liabilities** | | | | **447,999** |

| 2017 | Operations GH¢'000 | Investments GH¢'000 | Administration GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|
| | | | | |
| Contributions | 2,374,229 | - | - | 2,374,229 |
| Investment income | - | 603,322 | - | 603,322 |
| Other income | - | - | 421,995 | 421,995 |
| | **2,374,229** | **603,322** | **421,995** | **3,399,546** |
| | | | | |
| Investment management expenses | - | (12,201) | - | (12,201) |
| Diminution in fair value of listed shares | - | 41,509 | - | 41,509 |
| Diminution in fair value of unlisted shares | - | (226,650) | | (226,650) |
| Provision for bad and doubtful debts | - | - | - | - |
| Benefits | (2,189,475) | | - | (2,189,475) |
| Operational costs | (185,910) | - | - | (185,910) |
| Administration costs | - | - | (261,523) | (261,523) |
| **Total operating expenses** | **(2,375,385)** | **(197,342)** | **(261,523)** | **(2,834,250)** |
| | | | | |
| Surplus of Income before NHIS | (1,156) | 405,980 | 160,472 | 565,296 |
| Transfer to NHIS | (433,643) | - | - | (433,643) |
| | | | | |
| Surplus of Income after expenditure | (434,799) | 405,980 | 160,472 | 131,653 |
| **Total assets** | | | | **10,183,693** |
| **Total liabilities** | | | | **350,422** |

## 13.0 Contributions Received

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Controller and Accountant General | 863,291 | 756,431 |
| Private sector | 1,856,224 | 1,617,798 |
| | 2,719,515 | 2,374,229 |

# 14a Net Investment Income

| | | 2018<br>GH¢'000 | 2017<br>GH¢'000 |
|---|---|---|---|
| Government and corporate bonds | | 179,520 | 233,637 |
| Term deposits and treasury bills | | 77,769 | 47,971 |
| Student Loans | | 4,386 | 4,317 |
| Corporate loans | | 19,846 | 98,034 |
| Rent | | 29,999 | 39,319 |
| Dividend | | 27,283 | 108,481 |
| Miscellaneous income | 14a (i) | 99,565 | 71,563 |
| | | **438,368** | **603,322** |
| | | | |
| Investment management | 14a (ii) | (15,946) | (12,201) |
| Diminution in fair value of listed shares | | (9,532) | 41,509 |
| Diminution in fair value of unlisted shares | | 23,070 | (226,650) |
| Impairment allowance | | | - |
| | | **435,960** | **405,980** |

## 14a (i) Miscellaneous Income

Miscellaneous Investment income is made up of all the income from the underlisted sources:

| | 2018<br>GH¢'000 | 2017<br>GH¢'000 |
|---|---|---|
| Profit on sale of commercial and residential properties | 57,486 | 1,902 |
| Interest earned on HFC bonds | 332 | 293 |
| Interest earned on Call accounts | 40,283 | 65,497 |
| Interest earned on Current accounts | 1,464 | 1,009 |
| Equity distribution call received | - | 3,780 |
| Interest income (others) | - | (918) |
| Total Miscellaneous Income | **99,565** | **71,563** |

## 14a (ii) Investment Management Expenses

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Investment expenses arising from investment properties that generate rental income | 10,102 | 7,545 |
| Investment expenses arising from investment properties that did not generate rental income | 5,844 | 4,656 |
| **Total investment management expenses** | **15,946** | **12,201** |

## 14a (iii) Movement in Provision for Impairment

| | | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|---|
| Balance at 1st January | | 958,526 | 1,283,517 |
| Impairment loss reversal | | - | (340,958) |
| IFRS 9 adoption opening balance adjustments | | 638,654 | |
| Credit loss charged for the year | | 153,446 | |
| | | | |
| Balance at 31st December | | 1,750,625 | 942,559 |
| Corporate loan | (6a (iii) & 6b(iii)) | 1,448,473 | 802,360 |
| Student Loans | 6b(ii) | 142,464 | 140,199 |
| Government & Corporate bonds | 6a(ii) | 105,377 | |
| Fixed Deposits | | 253 | |
| Other accounts receivable | | 54,058 | |
| | | **1,750,625** | **942,559** |

**The Table below shows an analysis of the expected credit losses on financial instruments measured at amortised cost based as of 31 December 2018**

| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| Corporate loans | 31,686 | - | 1,416,787 | 1,448,473 |
| Other accounts receivable | 662 | 4,240 | 49,156 | 54,058 |
| Government & Corporate bonds | 8,470 | - | 96,907 | 105,377 |
| Fixed Deposits | 253 | | | 253 |
| Student loans | - | **102** | **142,362** | **142,464** |
| | 41,071 | 4,342 | 1,705,212 | 1,750,625 |

## 14b Other Income

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Other income is made up of income from the underlisted sources: | | |
| Bid/Documentation fee | 206 | 144 |
| Loan processing fee | - | - |
| Profit on disposal of shares | - | - |
| Profit on disposal of fixed assets | 162 | 204 |
| Penalty on delayed contribution | 25,892 | 15,659 |
| Exchange gain | 1,340 | 3,642 |
| Management fees from NHIS | 6,072 | 5,204 |
| Miscellaneous income | 7,342 | 397,142 |
| | **41,014** | **421,995** |

## 15a Operational Cost

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Personnel costs | 173,295 | 161,413 |
| Utility costs | 5,509 | 7,272 |
| Travel and accommodation | 6 | 131 |
| Public education | 921 | 677 |
| Depreciation | 5,430 | 6,123 |
| General expenses | 10,302 | 10,294 |
| | **195,463** | **185,910** |

## 15b Benefits

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Old age and invalidity | 1,853,355 | 1,458,391 |
| Death and survivors | 336,120 | 290,443 |
| | **2,189,475** | **1,748,834** |

## 16.0 Administrative Expenses

Administrative expenses include:

| | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Depreciation of fixed assets | 68,768 | 56,950 |
| Auditors' remuneration | 168 | 143 |
| Trustees' emoluments | 1,981 | 1,632 |
| Others | 218,128 | 202,798 |
| | 289,045 | 261,523 |

**The Table below shows an analysis of the expected credit losses on financial instrument measured at amortised cost based as of 31 December 2018**

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Corporate loans | 23,892 | - | 116,109 | 140,001 |
| Other accounts receivable | 527 | (917) | 5,211 | 4,821 |
| Government & Corporate bonds | 1,098 | - | 5,536 | 6,634 |
| Fixed Deposits | 58 | | | 58 |
| Student loans | | 102 | 1,830 | 1,932 |
| | 25,575 | (815) | 128,686 | 153,446 |

## 17.0 Financial Risk Management

The Trust 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 Trust's exposure to each of the risks, the Trust's objectives, policies and processes for measuring and managing risk and the Trust's management of capital.

### Risk Management Framework

The Board of Trustees has overall responsibility for the establishment and oversight of the Trust's risk management framework.

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

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

The Trust's Executive Committee is responsible for monitoring compliance with risk management polices and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Trust.

## A) Asset/Portfolio/Credit Risk

An Investment Asset Allocation Policy which is aimed at ensuring that the Trust positions its portfolio to amass optimal returns within the changing market environment and expectations while ensuring that the scheme, risk and performance of the investment portfolio remains relatively safe and sound, is reviewed and approved by the Board.

The Investment and Development Division of the Trust continually monitors the risk environment and as and when deemed necessary, the Investment Asset Allocation Policy is reviewed and submitted for further review and authorization by the Board.

The approved Investment Asset Allocation Policy serves as the guide for all investment activities within the Trust.

In constructing an Optimal Asset Allocation for the Trust, the Investment and Development Division assesses the associated risk inherent in investing in each of the asset classes and the overall portfolio as a whole. The analysis is also attentive to the occurrence of deviations from the estimated Expected Return as it is these inevitable deviations that jeopardise the attainment of expected results and hence the risk.

In assessing the risk inherent in the portfolio, each asset class risk is measured with a keen eye on mitigating measures and controls on the risk.

The first part of the measurement exercise, is the establishment of the Expected Return on each asset class. The second part comprises the assessment of the risk characteristics of each asset; particularly in combination with the current portfolio. The risk of the individual assets are measured in the context of the effect of their returns on the overall portfolio volatility.

Combinations of assets duly assessed are then made in proportions that are projected to at least yield the minimum Expected Portfolio return of a positive 2.5% above inflation. The overall objective of the Investment Asset Allocation Policy is to ensure return optimisation, that is, the highest possible return achievable under tolerable risk levels.

The risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations, arises principally from loans and advances to companies and other institutions and investment securities.

Loans are designated as impaired and considered non-performing where recognised weakness indicates that full payment of either interest or principal becomes questionable .

An individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows.

Provisions are raised where necessary based on the results of independent asset reviews, economic conditions as well as local knowledge and experiences. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment provision has been raised, then that amount will be written off.

### Collateral and Other Credit Enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types or collateral obtained are as follows:

For commercial lending, charges over real estate properties, inventory and trade receivables. For student loans, guarantee by three SSNIT contributors with a minimum of five years' contribution.

It is the Trust's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Trust does not occupy repossessed properties for business use.

The Trust does not make use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken.

## Credit Quality by Class of Financial Assets

The Trust manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Trust's internal credit rating system. The amounts presented are gross of impairment allowances.

**Financial assets are summarised as follows:**

| | Loans and receivables GH¢'000 | Held to Maturity GH¢'000 | Available for sale GH¢'000 |
|---|---|---|---|
| **2018** | | | |
| Neither past due nor impaired | | | |
| Past due but not impaired | | | |
| Impaired | | | |
| Gross | | | |
| Less: allowance for impairment | | | |
| Net | | | |

| | Loans and receivables GH¢'000 | Held to Maturity GH¢'000 | Available for sale GH¢'000 |
|---|---|---|---|
| **2017** | | | |
| Neither past due nor impaired | 85,207 | 1,989,455 | 3,478,154 |
| Past due but not impaired | 199,367 | - | - |
| Impaired | 1,866,338 | - | - |
| Gross | **2,150,912** | **1,989,455** | **4,219,869** |
| Less: allowance for impairment | (942,559) | - | - |
| Net | **1,208,353** | **1,989,455** | **4,219,869** |

### Impaired Loans

Impaired loans and securities are loans and securities for which the Trust determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/ securities agreements.

### Past Due but not Impaired Loans

Loans and receivables where contractual interest or principal payments are past due but the Trust believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Trust.

### Concentration of Risk

The Trust monitors concentrations of credit risk by sector. An analysis of concentrations credit risk at reporting date is shown below:

### Analysis by Business Segment

| | 2018 GH¢'000 | % | 2017 GH¢'000 | % |
|---|---|---|---|---|
| Financial | 189,602 | 10.02 | 1,419,498 | 78.37 |
| Services | 865,423 | 45.74 | 336,724 | 18.59 |
| Manufacturing | 3,380 | 0.18 | 17,171 | 0.95 |
| Real estate | 653,627 | 34.55 | | |
| Student Loans | 179,830 | 9.51 | 37,953 | 2.10 |
| **Gross loans & advances** | **1,891,862** | **100.00** | **1,811,346** | **100.00** |
| Less impairment allowance | (1,590,937) | | (942,559) | - |
| | 300,925 | 100 | 868,787 | 100 |

## B) Liquidity Risk

The Trust defines liquidity risk as the risk associated with the situation where it does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due, or can access them only at excessive cost.

### Management of Liquidity Risk

It is the policy of the Trust to maintain adequate liquidity at all times. Hence the Trust's approach to managing liquidity is to be in a position to meet all obligations to pay pensioners, suppliers and contractors, to fulfil commitments to lend and to meet any other commitments.

The Treasury Department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities such as Treasury Bills, Fixed Deposits (Repurchase Agreements) and Calls to ensure that sufficient liquidity is maintained within the Trust.

The Finance Division of the Trust is responsible for ensuring the attainment of the liquidity objectives of the Trust. These responsibilities include the provision of authorities and development of policies and procedures.

### Exposure to Liquidity Risk

The key measure used by the Trust for managing liquidity risk is the sustainability ratio which is the ratio of total expense to investment income. For this purpose, total expense is considered as including benefits expense and administrative expense. Details of the reported sustainability ratio at the reporting date, 31 December 2018 and 31st December 2017 is as follows:

| At 31st December | 2018 GH¢'000 | 2017 GH¢'000 |
|---|---|---|
| Investment income | 435,960 | 405,980 |
| Administrative expense | 289,045 | 261,523 |
| Benefits | 2,495,447 | 2,189,475 |
| **Total expense** | 2,784,492 | 2,450,998 |
| | | |
| Administrative coverage ratio | 1.51 | 1.55 |
| Benefits coverage ratio | 0.17 | 0.19 |
| | | |
| Sustainability ratio | 0.16 | 0.17 |

### Non-derivative Financial Assets and Liabilities held for Managing Liquidity Risk

| At 31st December, 2018 | On demand GH¢ '000 | Not more than one year GH¢ '000 | Over one year GH¢ '000 | Total GH¢ '000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and bank balance | 68,902 | - | - | 68,902 |
| Available-for-sale investments | - | - | 4,713,972 | 4,713,972 |
| Held-to-maturity investments | - | 593,954 | 917,196 | 1,511,150 |
| Corporate and Student Loans | - | 815,125 | 1,859,596 | 2,674,721 |
| **Other accounts receivable** | 19,949 | 118,900 | - | 138,849 |
| **Total financial assets (contractual maturity dates)** | 88,851 | 1,527,979 | 7,490,764 | 9,107,594 |
| Liabilities | | | | |
| Payables | 312,920 | 97,948 | - | 410,868 |
| **Ghana Education Trust Fund** | - | 26,418 | - | 26,418 |
| **Total financial liabilities (contractual maturity dates)** | 312,920 | 124,366 | - | 437,286 |

| At 31st December, 2017 | On demand | Not more than one year | Over one year | Total |
|---|---|---|---|---|
| **Assets** | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Cash and bank balance | 77,567 | - | - | 77,567 |
| Available-for-sale investments | - | - | 4,219,869 | 4,219,869 |
| Held-to-maturity investments | - | 867,243 | 1,549,046 | 2,416,289 |
| Corporate and Student Loans | - | 850,875 | 1,905,917 | 2,756,792 |
| **Other accounts receivable** | 3,913 | 195,454 | - | 199,367 |
| **Total financial assets (contractual maturity dates)** | 81,480 | 1,913,572 | 7,674,832 | 9,669,884 |
| Liabilities | | | | |
| Payables | 228,796 | 89,813 | - | 318,609 |
| **Ghana Education Trust Fund** | - | 26,418 | - | 26,418 |
| **Total financial liabilities (contractual maturity dates)** | 228,796 | 116,231 | - | 345,027 |

## C) Market Risk

Market Risk is the risk that changes in market prices, such as interest rate, equity prices and foreign exchange rates, will affect the Trust income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Trust is developing policies, processes and evaluating methodologies to better manage this risk.

### (i) Interest/Return Rate Risk

The Table below sets out the return on the Trust's investment portfolio for the year 2018 as compared to 2017

| | 2018 Rate of return | 2017 Rate of return |
|---|---|---|
| | % | % |
| Investment properties | 10.35 | 22.97 |
| Available for sale | 1.75 | 27.42 |
| Held to maturity | 18.99 | 18.68 |
| Loans and receivables | 3.21 | 10.15 |
| Student Loans | 11.65 | 11.55 |

### (ii) Foreign Exchange Risk

The Trust operates wholly within Ghana and its assets and liabilities are carried in local currency. The Trust maintains deposits with some of its bankers and lends to some companies in foreign currencies.

The exchange rates used for translating the major foreign currency balances at the end of the period were as follows:

| | 2018<br>GH¢ | 2017<br>GH¢ |
|---|---|---|
| US Dollar | 4.8200 | 4.4142 |
| GB Pound | 6.1113 | 5.9359 |
| Euro | 5.5149 | 5.2741 |

### (iii) Foreign Currency Sensitivity

The following Tables demostrate the sensitivity to a reasonably possible change in USD, EURO and GBP exhange rates, with all other variables held constant. The impact on the Trust's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Trust's income surplus is the same.

| 2018 | Balance | Change in rate | Effect on Net Surplus |
|---|---|---|---|
| | GH¢'000 | | GH¢'000 |
| | | | |
| USD | 3,167 | 9.19% | 291.14 |
| | 3,167 | -9.19% | (291.14) |
| GBP | 827 | 2.95% | 24.44 |
| | 827 | -2.95% | (24.44) |
| EURO | - | 4.57% | - |
| | - | -4.57% | - |

| 2017 | Balance | Change in rate | Effect on Net Surplus |
|---|---|---|---|
| | GH¢'000 | | GH¢'000 |
| | | | |
| USD | 6,810 | 10.25% | 697.79 |
| | 6,810 | -10.25% | (697.79) |
| GBP | 1,136 | -10.01% | (113.75) |
| | 1,136 | 10.01% | 113.75 |
| EURO | 66 | 5.58% | 3.68 |
| | 66 | -5.58% | (3.68) |

## D) Equity Price Risk

The Trust's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Trust manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Trust's investment committee on a regular basis. The Board of Trustee reviews and appproves all equity investment decisions. At the reporting date, the exposure to listed equity securities at fair value was GH¢2,459,601,000. A descrease of 10% on the GSE market index could have an impact of approximately GH¢245,960,100 on the income or net assets available for benefits, depending on whether the decline is signifcant or prolonged. An increase of 10% in the value of the listed securities would only impact net assets available for benefit but would not have an effect on net surplus.

### Interest Rate Risk

Interest rate 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 Trust's exposure to the risk of changes in market interest rates relates primarily to the Trust's loans with floating interest rates.

The Trust manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans.

### Interest Rate Sensitivity

The following Table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans affected. With all other variables held constant, the Trust's net surplus is affected through the impact on floating rate lendings, as follows:

| | | Increase /decrease in basis points | Effect on net surplus |
|---|---|---|---|
| **2018** | **GH¢'000** | **%** | **GH¢'000** |
| **GH¢** | 1,712,032 | 2.05% | GH¢'000 |
| | 1,712,032 | -2.05% | 35,096.66 |
| | **1,773,393** | **2.05%** | **(35,096.66)** |
| **2017** | 1,773,393 | -2.05% | 36,354.56 |
| **GH¢** | 2,066,383 | -2.05 | (36,354.56) |

## E) Operational Risk

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

The Trust's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Trust'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 senior management within each Division. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls procedures to address the risks identified.
- requirements for the reporting of operational losses and proposed remedial action
- procedures to address the risks identified
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the Trust's standards is supported by a programme of periodic reviews undertaken by Internal Audit sometimes with assistance from external consultants. The results of reviews are discussed with the management of the Business Unit to which they relate, with reports submitted to the Audit Committee, a sub-committee of the Board.

## 18.0 Transfers to National Health Insurance Scheme

Transfers made are in accordance with National Pensions Act, 2008 (Act 766), Section 63 (4) which requires 2.5 percentage points out of each member's 13.5% contribution to the SSNIT Pension Scheme to be paid into the National Health Insurance Fund.

## 19.0 Net Increase in the Value of Investments

| | 2018<br>GH¢ | 2017<br>GH¢ |
|---|---:|---:|
| Revaluation of listed shares | (18,922) | 737,092 |
| Revaluation of unlisted investments | 70,905 | 173,234 |
| Revaluation Surplus - Fixed Assets | - | 17,447 |
| Revaluation of commercial properties | - | 304,487 |
| Revaluation Investments in subsidiaries | 725 | 59,808 |
| Indexation of HFC Bonds | 8,601 | 3,956 |
| | 61,309 | 1,296,024 |

# 20.0 Tax

Under Section 54 of the National Pensions Act, 2008 (Act 766), the Trust is exempt from corporate tax and such other taxes and duties as may be determined by the Minister of Finance & Economic Planning.

# 21.0 Fair Value of Financial Statements

## 1 Fair Value Hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following Table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

LEVEL 1 -

Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

LEVEL 2 -

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

LEVEL 3 -

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

This hierarchy requires the use of observable market data when available. The Trust considers relevant observable market prices in its valuation where possible. There has been movement of financial instruments from Level 2 to 3 in the current year. Financial instruments measured at fair value at 31 December 2018 and 31 December 2017 were classified as follows:

## Recurring Fair Value Measurement of Assets and Liabilities

| 2018 | Valuations based on observable inputs | | |
|---|---|---|---|
| **Financial assets** | Level 1 | Level 2 | Level 3 |
| **Investment in subsidiaries** | GH¢'000 | GH¢'000 | GH¢'000 |
| SSNIT Hospital | - | - | 110,956 |
| SSNIT Guest House | - | - | 3,502 |
| Bridal Trust Ltd | - | - | 224 |
| Equities | | | |
| Listed equity | 2,459,601 | - | - |
| Unlisted equity | - | - | 2,148,139 |
| Unlisted managed funds | - | - | 106,232 |
| Investment properties | - | - | 2,071,550 |
| **Available-for-sale investments** | **2,459,601** | **-** | **4,440,603** |

| 2017 | Valuations based on observable inputs | | |
|---|---|---|---|
| **Financial assets** | Level 1 | Level 2 | Level 3 |
| **Investment in subsidiaries** | GH¢'000 | GH¢'000 | GH¢'000 |
| SSNIT Hospital | - | - | 110,956 |
| SSNIT Guest House | - | - | 2,777 |
| Bridal Trust Ltd | - | - | 224 |
| Equities | | | |
| Listed equity | 2,226,885 | - | - |
| Unlisted equity | - | - | 1,905,597 |
| Unlisted managed funds | - | - | 87,387 |
| Investment properties | - | - | 1,995,555 |
| **Available-for-sale investments** | **2,226,885** | **-** | **4,102,496** |

### Transfers between Levels

During 2017 financial year, there was transfer from Level 2 to 3 on Unlisted equities of the fair value hierachy.

## Valuation Techniques

**Listed investment in equity securities**
When fair values of publicly traded equity securities, managed funds and derivatives are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Fund values these investments at bid price for long positions and ask price for short positions.

**Unlisted Equity Investments**

The Trust invests in private equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Trust uses a market-based valuation technique for these positions.

## Description of the Valuation Techniques

**Unlisted Managed Funds**
The Trust invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock-up periods, redemption gates and side pockets. The Fund's Investment Manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the fund and Fund Manager. In measuring fair value, consideration is also paid to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Fund classifies these funds as either Level 2 or Level 3.

**Investment Property**
The fair value of investment property for the 2018 comparative was determined by Property Appraisal & Investment Consult using recognised valuation techniques. These techniques comprise both the Market/Comparison Approach and Replacement Cost Approach. Under the Market Approach, a property's fair value is estimated by an analysis of recent sales of comparable properties in both the subject neighbourhood and other comparable neighbourhoods. The analysed data is adjusted to reflect differences in location, time and terms of sale and physical characteristics between the subject property and the comparable property.

The Depreciated Replacement Cost Approach is based on the assumption that cost and value are related. This involves findng the estimate of the gross replacement cost of a building which is the estimated cost of erecting a building or a modern substitute building, having the same gross internal floor area as that existing, at prices current at the relevant date. The figure is then reduced to reflect the physical deterioration, functional and economic obsolescence of the building and environmental constraints to arrive at the depreciated replacement cost of the building. To this, is added the existing use value of the land, which is found by the Market Approach to value. The fair value of investment property is included within Level 3.

### Valuation Process for Level 3

Quantitative information of significant unobservable inputs – Level 3

| Description | Valuation Technique | Unobservable Input |
|---|---|---|
| Unlisted Equities | Average of adjusted Net Assets, DCF and EBITDA | Analysis of 4 years Financial Statements, projection of cash flows and comparable EBITDA multiples of similar companies. |
| Investment properties | Fair Market Value | Analysis of recent sales of comparable properties in both the subject neighbourhood and other comparable neighbourhoods. |
| SSNIT Hospital | Average of adjusted Net Assets, DCF and EBITDA | Analysis of 4 years' Financial Statements, projection of cash flows and comparable EBITDA multiples of similar companies. |
| Bridal Trust | Adjusted Net Assets | Financial Statements for 2018 year end. |
| SSNIT Guest House | Adjusted Net Assets | Financial Statements for 2018 year end. |

### Level 3 Reconciliation

The following Table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

| | SSNIT Hospital | SSNIT Guest House | Bridal Trust Ltd. | Unlisted equity | Investment properties | Unlisted managed funds | Total |
|---|---|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Balance as of 1st Jan, 2018 | 110,956 | 2,777 | 224 | 1,905,597 | 1,995,555 | 87,387 | 4,102,496 |
| Revaluation gains and( losses) | - | 725 | - | 70,905 | - | - | 71,630 |
| Purchases | - | - | - | 167,412 | 75,995 | - | 243,407 |
| Sales | - | - | - | - | - | | - |
| Capital Calls | - | - | - | - | - | | - |
| Distribution | - | - | - | - | - | | - |
| Transfer in/(out) | - | - | - | 4,225 | - | 18,845 | 4,225 |
| **Balance as of 31st December, 2018** | 110,956 | 3,502 | 224 | 2,148,139 | 2,071,550 | 106,232 | 4,440,603 |

| | SSNIT Hospital | SSNIT Guest House | Bridal Trust Ltd. | Unlisted equity | Investment properties | Unlisted managed funds | Total |
|---|---|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Balance as of 1st Jan, 2017 | 51,554 | 2,371 | 224 | 1,715,404 | 1,596,884 | 83,006 | 3,449,443 |
| Revaluation gains and( losses) | 59,402 | 406 | - | 173,234 | 304,487 | - | 537,529 |
| Purchases | - | - | - | 13,330 | 106,482 | 4,381 | 124,193 |
| Sales | - | - | - | - | - | | - |
| Capital Calls | - | - | - | - | - | | - |
| Distribution | - | - | - | - | - | | - |
| Transfer in/(out) | - | - | - | 3,629 | (12,298) | - | (8,669) |
| **Balance as of 31st December, 2017** | 110,956 | 2,777 | 224 | 1,905,597 | 1,995,555 | 87,387 | 4,102,496 |

## 2 Financial Instruments not Measured at Fair Value

The Table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Trust's statement of financial position at their fair value:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Assets** | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Cash and bank balance | 68,902 | 68,902 | 77,567 | 77,567 |
| Held-to-maturity investments (i) | 1,253,866 | 1,253,866 | 1,989,455 | 1,989,455 |
| Corporate and Student Loans (ii) | 300,926 | 300,926 | 1,008,986 | 1,008,986 |
| Other accounts receivable (iii) | 138,849 | 138,849 | 199,367 | 199,367 |
| | 1,762,543 | 1,762,543 | 3,275,375 | 3,275,375 |
| | | | | |
| **Liabilities** | | | | |
| Payables (iv) | 421,581 | 421,581 | 324,004 | 324,004 |
| Ghana Education Trust Fund (v) | 26,418 | 26,418 | 26,418 | 26,418 |
| | 447,999 | 447,999 | 350,422 | 350,422 |

(i) **Investment securities**
Investment securities include treasury bills and fixed deposits. The estimated fair value of fixed interest bearing deposits and treasury bills are based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. The carrying amount approximates their fair values.

(ii) **Corporate and Student Loans**
Corporate and student loans are net of charges for impairment. The estimated fair value of corporate and student loans represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The carrying amount approximates their fair value.

(iii) **Other accounts receivable**

The estimated fair value of other accounts receivable represents the discounted amount of estimated future cash flows expected to be received. The carrying amount approximates their fair value.

(iv) **Accounts payable**

The estimated fair value of accounts payable is based in discounted cash flows using prevailing money-market interest rates for debts with similar risk and remaining maturity. The carrying amount approximates their fair value.

## 22.0 Contingent Liabilities and Provisions

### A) Contingencies and Commitments

### (i) Contingent Liability

There were a number of legal proceedings outstanding against the Trust at 31 December 2018. These are pending litigations that may result in a material liability to the Trust. It is estimated that the maximum amount would not exceed GH¢ 8,720,000 (2017 - GH¢ 4,020,000).

## 23.0 Events After the Reporting Period

There were no events after the reporting date requiring adjustment or disclosure in the Financial Statements.

## 24.0 Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1st January 2018. However, the Trust has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following Table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Trust's financial assets and financial liabilities as of 1 January 2018:

**Financial assets**

| 01-Jan 2018 | IAS 39 classification | IAS 39 measurement | IFRS 9 classification | IFRS 9 measurement |
|---|---|---|---|---|
| | | GH¢'000 | | GH¢'000 |
| Investment in Subsidiaries | Designated at FVPL | 113,957 | FVPL | **113,957** |
| Non-current financial assets | Loans and receivables | 5,991,836 | Amortised cost | **5,490,512** |
| **Current financial assets** | Loans and receivables | 1,425,841 | Amortised cost | **1,288,513** |
| **Cash and bank balances** | Loans and receivables | 77,567 | Amortised cost | **77,567** |

**Financial Liabilities**

| 01-Jan 2018 | IAS 39 classification | IAS 39 measurement | IFRS 9 classification | IFRS 9 measurement |
|---|---|---|---|---|
| | | GH¢'000 | | **GH¢'000** |
| **Accounts payable** | Amortised cost | 324,004 | Amortised cost | **324,004** |
| **Ghana Education Trust Fund** | Amortised cost | 26,418 | Amortised cost | **26,418** |

In line with the characteristics of the Trust's financial instruments as well as its approach to their management, the Trust neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Trust's financial instruments due to changes in measurement categories. All financial assets that were classified as FVPL under IAS 39 are still classified as FVPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be measured as such.

The application of the ECL mode under IFRS 9 has a significant impact on the carrying amounts of the Trust's amortised cost financial assets. An additional impairment allowance of GH¢638.65 million has been recorded against the Trust's Financial assets as compared to the impairment recorded under IAS 39.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.