





# 2012

annual report



CENTRAL  
SECURITIES  
DEPOSITORY  
*You invest, we protect*



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## 1.0 OUR VISION

The CSD seeks to be among the leading global institutions providing efficient depository services to the financial markets to promote investments and economic growth in Ghana and the Sub-region

## OUR MISSION

To provide secured and dependable clearing, settlement and depository services to Government Securities and Money Markets in an efficient and cost effective manner.

## 2.0 COMPANY PROFILE

### 2.1 Ownership of Central Securities Depository (GH) Ltd

Central Securities Depository Ghana Ltd. (CSD) is an institution that keeps the register of dematerialised securities issued by Government of Ghana, Bank of Ghana and Ghana Cocoa Board. The CSD was incorporated in June, 2010 as a fully owned subsidiary of Bank of Ghana

### 2.2 Mandate of Central Securities Depository (GH) Ltd.

The mandate of the Depository includes the following;

- reduce risk and improve efficiency in the securities market.
- support effective clearing and settlement system in the securities market
- provide safe custody of issued securities
- promote investments and economic growth in Ghana and the Sub-region

### 2.3 Legal Framework

The legal framework for the operations of the depository is enshrined in the Central Securities Depository (CSD) Act 2007, (Act 733). The Act includes provisions for:

- Establishment and functions of Central Securities Depositories
- Admittance and dematerialisation of securities
- Securities accounts and records
- Securities transactions and entries
- Security, secrecy and investigation provisions
- Establishment of Guarantee Fund

The Central Securities Depository (CSD) is regulated by the Securities and Exchange Commission (SEC). The day-to-day activities of the CSD are governed by the CSD Operational Rules and Procedures.



## CHAIRMAN'S STATEMENT

**DR. H.A.K. WAMPAH**  
*Board Chairman*

Departments are on secondment from Bank of Ghana. Their period of secondment will end in March, 2013 and as a result of this a committee has been set up by the Board of Directors to recruit personnel to head the various Departments of the company.

### BOARD OF DIRECTORS

During the year under review, the Board met nine (9) times to discuss and deliberate on the operations of the company and give policy directions. The Board is scheduled to meet every quarter, however the frequent meetings were necessitated by the need to monitor and continuously review the structures and policies of this young autonomous body to set it on the right footing to achieve its mission.

One board member, Mr. George Katako resigned and was replaced by Mrs. Kokui Adzo Adu. I wish to thank Mr. George Katako for his immense contributions as a board member which played a vital role in the formulation of policies towards the success of the company.

### FINANCIAL REVIEW

I am glad to inform you that through efficient financial and operational management, the Depository's financial position witnessed a significant improvement as against 2011. To improve on its financial status and to meet the operating cost, the Depository in liaison with the appropriate stakeholders implemented some

### INTRODUCTION

**D**istinguished shareholder, it is my pleasure to present to you once again the annual performance and financial statement of the CSD for the year ended 2012. I must say that I am delighted of the immense commitment and hard work demonstrated by the Board, Management and Staff for the year under review.

Following the policies implemented in the year, the operations of the company improved tremendously. The introduction of compulsory trade reporting among other polices in 2012 led to an improvement in trade reporting in the secondary market. Secondary Trade reporting improved by 239.12% over that of 2011. Seventy Thousand Four Hundred and Sixty Three Thousand (70,463) new investors accounts were registered into the CSD system bringing the total number of investors accounts to Four Hundred and Sixty Seven Thousand One Hundred and Forty Five (467, 145).

As we may all be aware the current heads of

fees and charges in 2012. As a result the Depository recorded a revenue of GH¢1,655,741 in 2012 as against GH¢599,720 in 2011, representing an increase of 176%. Even though the Depository made a loss of GHS 197,395 in 2011 it made a pre-tax profit of GH¢681,480 in 2012.

The total asset of the company grew by 24%, in addition shareholders' funds (net assets) also grew from GH¢ 2,464,987 in 2011 to GH¢ 3,729,065 in 2012, an increase of about 51%.

In order to make the Depository a self-financing institution, it aims to strengthen her financial position by enhancing the fees and charges introduced in 2012 in the ensuing years.

## CORPORATE GOVERNANCE

CSD continues to demonstrate good corporate governance standards in line with the legal requirements governing the operations of the company. Through the review of the reports submitted by the internal audit and the various sub-committees established by the Board, the Board ensured the maintenance of good internal controls, business ethics and procedures with strict adherence to legal requirements so as to mitigate inherent risk in the activities of the Depository.

## CURRENT AND FUTURE OUTLOOK

The vision of CSD will be pursued rigorously to position itself as an efficient institution in handling centralised depository operations in the country. The rationale for this objective is as a result of the interest expressed by both domestic and foreign investors in the services being offered by CSD to investors in government securities dealings by protecting their investments.

In an attempt to make the CSD a more robust institution, several projects have been initiated and are currently being worked upon to automate most of the operations of the company. These include

- 1) A Straight-Through-Processing (STP) to achieve Delivery Verses Payment (DVP).
- 2) Automation of the Repo Market to allow the

*Depository Participants to initiate and setup Repo transactions at their offices with minimal paper work.*

- 3) *Merger talks with Ghana Stock Exchange Depository to synchronise the activities of the two Depositories so as to promote efficiency in Depository activities in the country.*
- 4) *Establishment of a Settlement Guarantee Fund.*
- 5) *Development of a five year strategic plan.*

The Board would continue to offer the technical support and keep inspiring staff to render yet another notable performance in 2013.

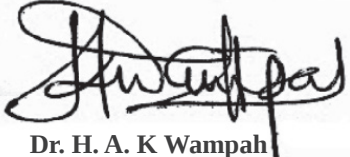
## CONCLUSION

In conclusion, I would want to thank all the Board members for their continuous support and also the Management and Staff of the company for the hard work exhibited in 2012.

I wish also on behalf of the Board of CSD to render our appreciation to the Board and management of Bank of Ghana for the continued support they have offered to the Depository over the past two years.

The Board would want to reiterate its commitment to achieving the vision for the establishment of CSD.

Thank you



**Dr. H. A. K. Wampah**

*Chairman*



## CHIEF EXECUTIVE OFFICER'S STATEMENT

**MR. STEPHEN TETTEH**  
(CEO)

to wean itself off Bank of Ghana within the shortest possible time.

As a result of the policies implemented, I am happy to inform you that, in 2012 CSD was rated 'A-' by Thomas Murray an indication that CSD is a low risk institution. The overall rating by Thomas Murray was based on a weighted average of six risk areas vis-à-vis Asset Commitment Risk, Liquidity Risk, Counterparty Risk, Asset Servicing Risk, Financial Risk and Operational Risk. Thomas Murray is an institution with specialisation in the international securities market.

**D**istinguished representative of the sole shareholder, Bank of Ghana, Board members and Management of the Central Securities Depository (Gh.) Ltd; you are welcome to the Second Annual General Meeting of the Central Securities Depository Gh. Ltd.

### Introduction

The year under reference has been very eventful in so many ways. It has been the first full year in the transition from temporary staff on secondment from Bank of Ghana to the engagement of permanent staff for the Depository. It has also seen the institution of fees and charges for the use of services of the Depository which brought in some income. We are proud to report that we have made a modest profit which will actually place us in a position to move towards financial independence off our parent company, Bank of Ghana. I recall the charge the former Governor, now the current Vice President of the Republic of Ghana, His Excellency Kwesi Bekoe Ammisah Arthur gave at the inauguration of the Board in September 2010, that the Depository should work

### Developments in 2012

The company engaged permanent staff in April 2011 to understudy staff seconded from Bank of Ghana. The performance of the new staff during the full year of being at the Depository had been generally impressive. They have built the confidence needed to interact with market players and also to undertake effective surveillance.

The autonomy of the Depository has brought with it a number of benefits. Key among these is the ease and speed of decision making. The Board of Directors have been very quick in deciding on some key issues and have given management their full support on a number of changes that have been implemented on the system. Management has also been active in implementing some of the programmes that would support our plan to bring our company to international market standard.

We have seen a number of membership registrations this year as a result of the commencement of the new

pension reforms. Eight banks have been registered with the Depository to offer custody services to the market. This development, we believe, will bring more activity to the market.

The Depository managed to institute the fees and charges that had been approved by the Securities and Exchange Commission. In instituting these fees and charges we considered the developmental role of the Depository on the market and kept the fees relatively low, especially those that affect the retail investors. The response to the payment of these fees and charges has been positive and the Depository is taking measures to compensate users and investors with enhanced service delivery.

The Depository made a modest operating surplus this year, the first year in its operations as an independent company from Bank of Ghana. Even though modest, it is a positive sign that the Depository can cover its cost of operations in the future when Bank of Ghana eventually withdraws its financial support. The Bank of Ghana financial support of GH¢ 500,000 which was converted to equity has raised the issued capital to GH¢ 3,500,000. The Bank of Ghana also fully covered the total cost of all the last batch of seconded staff amounting to GH¢ 542,874. This amount is treated in the accounts as revenue grant from Bank of Ghana. We are very grateful for this magnanimity.

### On-going projects

To bring efficiency in the settlement process, the Depository is undertaking a project to link the RTGS fund settlement system in Bank of Ghana to the Depository system. This will ensure a straight-through-process in settlement whereby fund settlement and securities settlement will be done simultaneously in the Delivery-versus-Payment (DvP) mode. This project started late 2011 and is scheduled to be completed in March 2013.

An Information and Securities Management System (ISMS) is being implemented as part of the risk mitigating measures for our system. This information security system will ensure the preservation, availability, confidentiality and integrity of our data which are key

requirements for the market. The full implementation will lead to the acquisition of International Standards Organisation (ISO 27001:2005) certification.

Merger talks between the Depository and Ghana Stock Exchange Depository has reached an advanced stage.

### Way Forward

The Depository plans to undertake some changes to enhance the efficiency of the system and afford a more secured working environment for users. More information and data will be made available to the market to facilitate market decision making and transparency and price discovery. In this regard, we are in talks with Bloomberg to stream live data through its network.

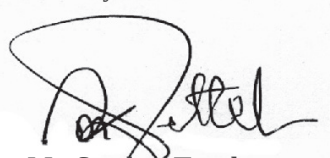
We are compiling e-mail addresses of accounts holders to be able to send monthly statements by e-mail. This facility will become operational by April 1, 2013.

Documentation and proposals are being developed for the establishment of a Guarantee Fund for settlement. These will be discussed with the market for their input.

A five-year Strategic plan is being developed. This will define a strategic path for the medium term development of the company. A number of programmes will be undertaken to expand the operations of the company along the value chain in the market.

### Appreciation

I will like to extend my sincere appreciation to management of Bank of Ghana for the support they gave us during the year as well as the Board, Management and Staff of CSD for the effort they put in for this modest achievement during the year. The inputs of other market players are also not overlooked in these achievements. Thank you



**Mr. Stephen Tetteh**

CEO



## 5.0 CORPORATE GOVERNANCE

### 5.1 Board of Directors

The CSD is administered by a seven (7) member Board of Directors, made up of six External Directors, two of whom are from Bank of Ghana and the Chief Executive Officer. The Chairman of the Board of Directors has no executive officer position, which reinforces the supervisory function of the Board of Directors.

During the year under review Mr. George Katako resigned from the Board and was replaced by Mrs. Kokui Adzo Adu.

#### Board Members

Dr. H. A. K. Wampah	Chairman
Dr. David Obu Andah	Member
Mr. Kwame Adutua-Amakye	Member
Mrs. Caroline Otoo	Member
Mr. Daniel Kobla Glymin	Member
Mrs. Kokui Adzo Adu	Member
Mr. Stephen Tetteh	Member
Mr. George Nkrumah	Board Secretary

### 5.2 Profile of Board Members

- **Dr. H. A. K. Wampah** holds a Ph.D. degree in Economics with specializations in Econometrics and Public Finance. Dr. Kofi Wampah held various teaching appointments with McGill University and Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, Legon in the areas of economic statistics and mathematics. He was the Head of Research Department, Bank of Ghana up to 2001. He also worked with the International Monetary Fund, Washington, DC, as a Special Appointee in 1998 where he worked with the Monetary Operations Division of the Monetary and Exchange Affairs Department. He is currently the acting Governor of Bank of Ghana.
- **Dr. David O. Andah** holds a Ph.D. in Agriculture and has a considerable experience in development finance, having worked in the financial sector for the greater part of his working career. He currently serves on the Boards of Bank of Ghana and Central Securities Depository. He is a Commissioner of the National Development Planning Commission and Advisor to the Executive Council of Ghana Microfinance Institutions Network.
- **Mr. Kwame Adutua-Amakye** is a professional engineer with over 31 years' experience encompassing engineering management, installation and maintenance, communication network planning, design and implementation, lecturing, ICT Training and consultancy. He holds a BSc. in Electrical/Electronic Engineering and a Master of Engineering in Signal and Information Processing. He is currently an Electronics/ICT Consultant.
- **Mrs. Caroline Otoo** holds an LLB (Hons), BL and Advanced Diploma in Legislative Drafting. She is currently Assistant Director and head of the Legal Department of Bank of Ghana.
- **Daniel Kobla Glymin** is a Lawyer with considerable experience in Commercial/corporate law and company secretarial practice. In 1997 he established Glymin & Co a law firm operating in Accra.
- **Mrs. Kokui Adzo Adu** is the Chief Executive Officer of the Students Loan Trust Fund. She has worked in various roles in tertiary institutions and the financial services industry including positions in senior management at the University of Ghana, the Securities and Exchange Commission and the Assurance Research Institute of KPMG LLP, Montvale, New Jersey, USA. She is a Data Analyst and Financial Management professional with considerable experience in planning and

financial management in the public sector. Mrs. Adu holds an MBA in Corporate Finance and Investments.

- **Mr. Stephen Tetteh** is an Economist with 28 years experience with the Bank of Ghana. He has been the Head of the Depository since its inception in 2004. He is currently an Assistant Director and the Chief Executive Officer of the Depository.

### 5.3 Functions of the Board

The Board actively provides recommendations for important management decisions, and conducts unbiased evaluation and supervision of the management for the realisation of CSD's vision and mission. The board meets once quarterly to review the activities of CSD and to offer policy directions to the company.

### 5.4 Committees of the Board

In order for the Board to carry out its function effectively, it constituted the following committees:

#### 6.4.1 Tender / Procurement Committee

The key function of the Tender Committee is to warrant that budgetary expenses are done in the corporate interests of the depository. It is also the goal of the committee to certify that award of contracts for the acquisition of goods, works and services are embarked upon on the principles of transparency, competitiveness and corporate decision making and in line with the Public Procurement Act 2003 (Act 663). The Tender Committee is made up of four members as follows

- |                                  |                 |
|----------------------------------|-----------------|
| • <b>Mr. Stephen Tetteh</b>      | <b>Chairman</b> |
| • <b>Mr. Daniel K. Glymin</b>    | <b>Member</b>   |
| • <b>Mr. Kwame Adutua-Amakye</b> | <b>Member</b>   |
| • <b>Mr. Alex Kwasi Donkor</b>   | <b>Member</b>   |

#### 6.4.2 Business Conduct Committee

The Business Conduct Committee (BCC) consists of 5 members drawn from within the Board and a representative each from the Bank and Non-Bank participants. The BCC was set up to monitor the operations relating to risk management and the Guaranteed Fund and to consider complaints from persons who feel aggrieved by actions of the Depository or the conduct of other participants with respect to the operations of the CSD. In addition the Business Conduct Committee offers recommendations to the Board of the Central Securities Depository with respect to applications for appointment and dismissal as a Depository Participant. The members are

- **Dr. David Obu Andah**  
*Chairman*
- **Mr. Daniel Kobla Glymin**  
*Member*
- **Mr. Frank Adu**  
*Banks DPs representative*
- **Mrs. Helina Kemetse**  
*Non-Banks DPs representative*
- **Representative of Bank of Ghana**

#### 6.4.3 Audit Committee

The Audit Sub Committee determines whether the accounts and reporting policies of CSD are in accordance with the legal and established ethical requirement. The Committee also provides an oversight responsibility in the risk management of the company as well as appraising the effectiveness of the system of accounts and internal controls. It comprises of 3 members.

- |                              |                    |
|------------------------------|--------------------|
| • <b>Mrs. Kokui Adzo Adu</b> | <b>Chairperson</b> |
| • <b>Mrs. Caroline Otoo</b>  | <b>Member</b>      |
| • <b>Dr. David Obu Andah</b> | <b>Member</b>      |



## 5.5 Management

The management is responsible for the day to day operations of the depository. The management team for 2012 was comprised of:

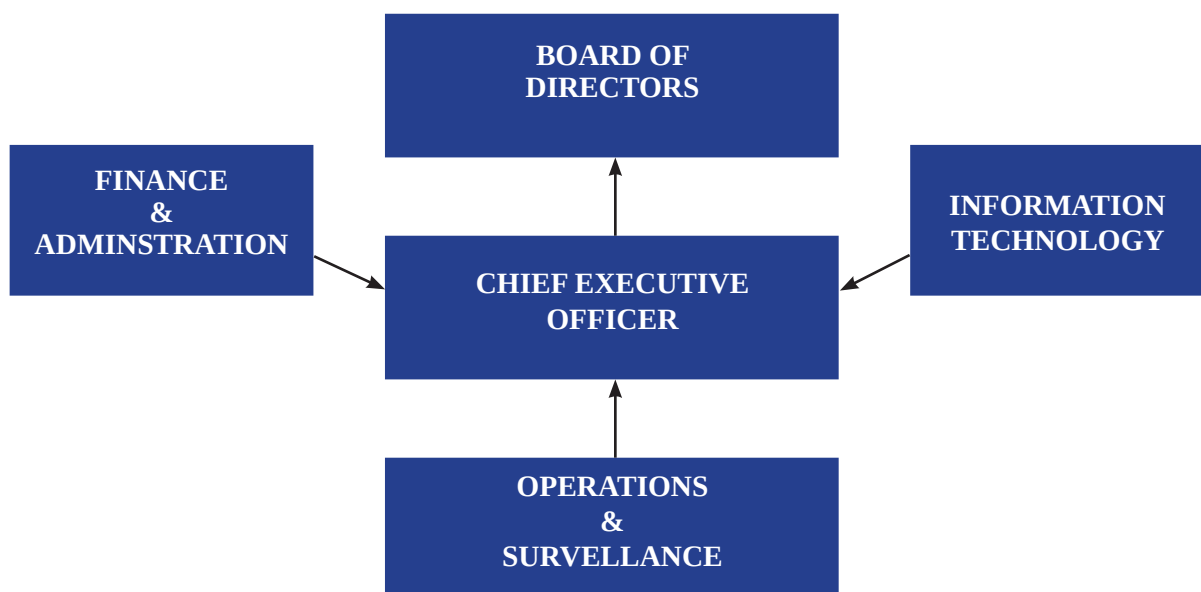
- **Mr. Stephen Tetteh**  
*Chief Executive Officer*
- **Mr. Joseph Oko Lartey**  
*Head, Information Technology*
- **Mr. George Nkrumah**  
*Head, Operations and Surveillance*
- **Mr. Alex Kwasi Donkor**  
*Head, Finance and Administration*

• **Joseph Oko Lartey** holds an MSc. Degree in Business Information Technology (Manchester University) and an MBA Degree in Finance (University of Ghana). He has extensive exposure and experience in information technology, the government securities market and depository operations.

• **Mr. George Nkrumah** is an economist with an immense experience in Treasury Management, Global Financial Markets, Government Debt Analysis, Depository Operations and Corporate Governance issues. He holds a master's degree in Economic Policy Management and is currently the Company Secretary.

• **Mr. Alex K. Donkor (FCCA)** is a fellow of Association of Chartered Certified Accountant (ACCA). He holds MBA Degree in Finance and is currently Head of Finance and Administration of the Company. He has enormous experience in Finance,

### ORGANISATIONAL STRUCTURE



## BOARD OF DIRECTORS



**MR. STEPHEN TETTEH**  
(Member / CEO)



**DR. H.A.K. WAMPAH**  
*Board Chairman*



**DR. DAVID O. ANDAH**  
(Member)



**MRS. KOKUI ADZO ADU**  
(Member)



**MRS. CAROLINE OTOO**  
(Member)



**MR. KWAME ADUTUA -  
AMAKYE** (Member)



**MR. DANIEL GLYMIN**  
(Member)



**MR. GEORGE NKUMAH**  
(Board Secretary)

## 6.0 DEVELOPMENTS

A number of developmental activities took place during the period under review.

### 6.1 Staff Matters

One (1) permanent staff was recruited to beef up the staff strength of the institution. The current staff strength of CSD is seventeen (17).

### 6.2 Staff Training and Professional Development

In its quest to empower the staff of the CSD to deepen their understanding of the global financial business and to meet the growing demand of depository activities in the country, the CSD Staff undertook several capacity building programmes. These included both foreign and local programmes to equip staff with the essential skills and knowledge needed to offer professional services to the users of the Depository. Some of the programmes and conferences that the staff of the depository took part in included the following:

- *West African Capital Market Integration Council, Nigeria*
- *African Middle East Depositories Association meeting, Kuwait*

- *African Securities Exchanges Association Conference, Egypt*
- *Advance Supervisory Skills by London Corporate Training, London, UK*
- *ORACLE Database Administration by Oracle Corporation UK Ltd, London, UK*
- *ISO 27001 Certified ISMS Foundation and Lead Implementer Course by IT Governance Ltd, Manchester, UK*
- *Securities and Exchange Course, Ghana Stock Exchange, Ghana*
- *SWIFT Training Course, Ghana*
- *Effective Office Management and Administration, Ghana*

### 6.3 Financial Review

The CSD implemented fees and charges for its services in February, 2012 after extensive consultation with all stakeholders in the market. As a result CSD realised a revenue of GH¢ 1,655,741.00. Table 1 below summarises the fees and charges in place as at the end of December, 2012.

**Table 1: Fees and Charges**

Category	Payer	Fees	Regularity
Admission Fee	Depository Participant	GH¢ 5,000	Once
Subscription	Depository Participant	GH¢S 2,000	Annual
Issuer Fee	Issuer	0.005%	Per issued amount
Repurchase Agreement	Lender and Borrower	GH¢ 5.00	Per transaction
Assignment	Lender and Borrower	GH¢ 5.00	Per transaction
Trades	Buyer/Seller	<ul style="list-style-type: none"> <li>• Nil for amount less than GH¢ 1,000</li> <li>• 0.005% for amount between GH¢ 1,000 – GH¢ 1,000,000 (minimum charge of GH¢ 0.50)</li> <li>• * 0.002% for amount between GH¢ 1,000,001- GH¢ 10,000,000.00</li> <li>• * A flat rate of GH¢ 250.000 for amount above GH¢ 10,000,000.00</li> </ul>	
Statement of Account	Requester	Ordinary GH¢ 5.00	Per Account
		Security Paper GH¢20.00	Per Account
Transfer of Securities	Requester	GH¢ 20.00	Per Account
Penalties	Ten times transaction charge for non-reporting; others to be instituted later		

## 6.4 External Association

The Depository continued to sustain her membership with relevant international partners to deepen her knowledge in the depository activities. CSD is a full member of the Africa Middle East Depositories Association (AMEDA).

CSD was visited by a number of rating agencies and other institutional investors as well as Global Custodian Institutions to carry out due diligence of Ghana's securities market. CSD earned a rating of 'A-' based on the rating exercise undertaken by Thomas Murray. The rating indicates that the CSD is a low risk institution. Albeit this, CSD is working hard to improve on the 'A-' achieved in 2012 in the upcoming year.

CSD also participated in the annual data gathering project organised by the Association of Global Custodian Information Gathering Project. CSD took part in conferences and meetings held in 2012 by the Africa Middle East Depositories Association.

## 6.5 Clearing and Settlement in the Secondary Market

To achieve simultaneous and irrevocable settlement (Delivery verses Payment) in the settlement process and to reduce settlement risk CSD took over the settlement of both securities and cash legs of all transactions undertaken in the secondary market using the CSD platform. This was done in collaboration with Bank of Ghana, being the settlement Bank for CSD. This policy became effective on 3rd December, 2012. Prior to this development the securities settlement leg of all transactions in the secondary market were done by CSD whilst the cash leg of all transactions were done on bilateral basis among depository participants (counter parties). With the new arrangements, the CSD settles both the cash and securities legs of any transaction between counter parties.

## 6.6 Changes in the CSD System

Some modifications were made in the CSD system to enforce a mandatory price reporting policy which was introduced into the market during the year. The aim of this change is to promote price

discovery and transparency in Ghana's securities market which is the norm in the international securities market. Consequently, the CSD has started reporting trade data on its website ([www.csd.com.gh](http://www.csd.com.gh)).

## 6.7 Seminar on Bond Pricing

On August 7th 2012, CSD organised a one day seminar on Bond Pricing in Accra for all the DPs. This was to deepen the knowledge of DPs on bond and treasury securities concept, securities valuation and also to equip DPs with computational skills necessary for determining the price and yield in their securities transactions.

## 6.8 Complaint Desk/Compliance & Surveillance

As part of safeguarding the interest of investors and to promote efficiency in the provision of custody services, a complaint desk has been established to address issues brought to CSD by investors. The CSD also established a Compliance/Surveillance Unit within the Operations Department to ensure that, Depository Participants operate according to the provisions in the Rules and Procedures of the CSD. The unit collates reports from participants and makes periodic visits to their premises for on-site inspection.

## 6.9 Training in CSD System

The CSD offers training programmes for both new and existing DPs. This is to promote efficiency in the usage of the CSD system. In 2012, training programmes were organized for staff of eleven (11) DPs out of the forty two (42) DPs. Prior to the admittance of a new DP into the CSD system it is mandatory for staff of the prospective DP to undertake a three-day (3-day) training schedule on the operations of the CSD system.

For existing DPs it is mandatory for new users to arrange with the CSD for a training session. Refresher programmes can also be organized for DPs upon request.

## 7.0 ON-GOING ACTIVITIES

As part of the vision of CSD to provide efficient and cost effective service to the general investing public in the securities market on a real time basis some projects were initiated. Some of these initiatives which began in 2012 have not been completed but CSD, in collaboration with the appropriate stakeholders are working towards the completion or the realisation of the said initiatives as indicated below;

### 7.1 Straight Through Processing (STP)

It is the aim of the CSD to synchronise the fund settlement at the Bank of Ghana to provide a STP so as to reduce the manual interventions in the settlement process. The CSD, in conjunction with the appropriate stakeholders are working assiduously to integrate the RTGS and CSD systems. This will be achieved by using SWIFT messaging format. This process which commenced in 2012 is expected to be completed and implemented by the end of second quarter 2013.

### 7.2 Automation of Repo Transaction

Extensive work has been done to achieve the objective of automating the Repo market. With the automation of the Repo market, all DPs participating in the Repo market will have the opportunity to submit repo requests and acceptance on line. This will eliminate the use of paper and manual process currently in place. It is anticipated that by the close of the second quarter of 2013 the automation of the Repo market would be actualized and settlement done through the RTGS.

### 7.3 Information Security Management System (ISMS)-ISO27001

CSD strives to provide standardized services through the adaptation of efficient security management system. The CSD has therefore begun working on the necessary documentations to acquire a certificate from International Organization for Standardization (ISO), which sets standards in several businesses and technologies, as well as computing and communications.

### 7.4 Merger talks with Ghana Stock Exchange (GSE) Depository of GSE

The process to merge the two depositories commenced effectively in 2012 and is on-going

## 8.0 PERFORMANCE

### 8.1 Depository Participants (DPs)

The current number of DPs to the CSD for the year ending 2012 is forty two (42) comprising of twenty six (26) Universal Banks, eight (8) Custodian Firms, Six (6) Brokerage/Discount Firms, Social Security and National Insurance Trust (SSNT) and the Central Bank of Ghana as captured in table 2 below. In the year 2012, six (6) new DPs who obtained their licenses from both the National Pensions Regulatory Authority (NPRA) and Securities and Exchange Commission (SEC) to provide custody services in the country were admitted as custodians into the CSD system. Following the merger of Ecobank and The Trust Bank, and that of Access Bank and Intercontinental Bank Ltd, the number of DPs that are Universal Banks was reduced by two (2).

The number of Primary Dealers (PDs) was reduced to fourteen (14) following the merger of Ecobank and The Trust Bank. SSNIT and Bank of Ghana continue to receive special privilege to participate in the primary market. Primary Dealers are charged with the responsibility to promote investments in Government/BoG securities by having a dedicated fund committed to only dealings at the primary market. In addition to PDs responsibilities of underwriting and distributing government securities to investors, they are also market makers in the secondary market.

**Table 2: Depository Participants**

Type of Institution	2011	2012
Commercial Banks/Apex Rural Bank	28	26
Custodians	2	8
Brokerage/Discount	6	6
Central Bank	1	1
SSNIT	1	1
<b>Total</b>	<b>38</b>	<b>42</b>

Source: CSD

### 8.2 Client Registration

In 2012, an aggregate of seventy thousand four hundred and sixty three (70,463) new investor accounts were opened as against forty thousand five hundred and thirty six (40,536) opened in 2011 by all the DPs. This brings the total number of investor accounts to four hundred and sixty seven thousand one hundred and forty five (467,145). Ghana Commercial Bank registered the highest number of investor accounts of fourteen thousand two hundred and thirty seven (14,237) for 2012.

### 8.3 Securities Issued

The value of all securities issued through the auction system in 2012 increased by 58.58% from GH¢ 16,857,878,287 in 2011 to GH¢ 26,733,829,218. Bids submitted for the year exceeded both the targeted amount and issued amount by about 21%. Out of the total bids submitted by primary dealers on behalf of investors, about 83% were allotted within the accepted issued rates as indicated in table 3 below.

Government of Ghana securities with tenures 91 Day, 182 Day, 1 Year and 2 Year are auctioned on every last working day of the week and issued on the first working day of the following week basically for fiscal management of the economy. However, government's 3 Year and 5 Year bonds are issued occasionally based on the issuance calendar. Bank of Ghana securities are issued occasionally for monetary policy management purposes while Cocoa Board securities are issued for the purchase of Cocoa during the cocoa season. For the year 2012 three floating rate bonds which were pegged against the prevailing 182 Day Bill and issued by the Ministry of Finance on behalf of Savannah Accelerated Development Authority (SADA) were admitted into the CSD system.



In 2012, Government securities with tenure 91 Day, 182 Day, 1 Year and 2 Year were issued every week, thus fifty two (52) times. The three (3) year and five (5) year Government securities were issued three (3) and two (2)

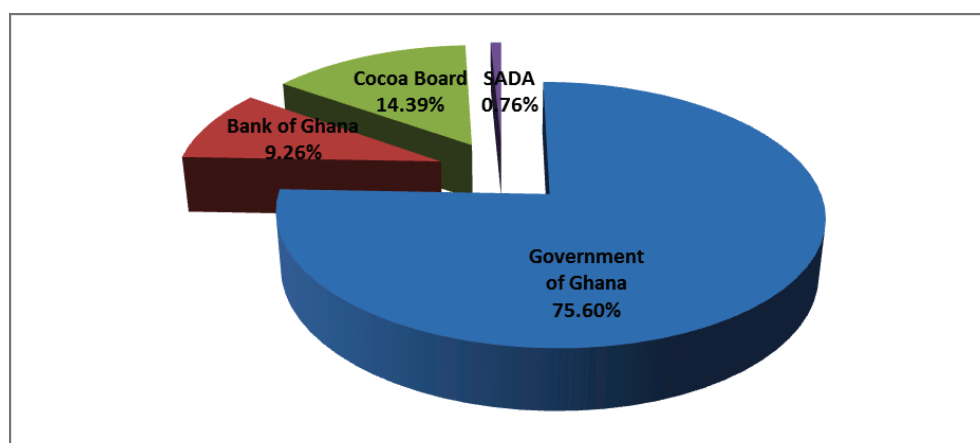
times respectively. The Bank of Ghana issued fifty two (52) securities, with Cocoa Board also issuing eleven (11) securities during the year.

**Table 3: Total Issued Securities per Issuer**

Issuer	Targeted Amount (GH¢)		Submitted Bids (GH¢)		Issued Amount (GH¢)		
	2011	2012	2011	2012	2011	2012	% Change
Government of Ghana	13,053,212,463	20,272,476,451	16,045,128,418	25,170,786,129	12,982,802,869	20,210,381,250	55.67
Bank of Ghana	189,100,000	2,491,751,612	186,219,600	2,611,893,978	176,219,600	2,475,150,357	1304.58
Cocoa Board	3,834,194,301	3,858,230,000	4,124,988,759	4,345,314,601	3,698,855,818	3,845,765,965	3.97
SADA	-	202,531,646	-	202,531,646	-	202,531,646	-
<b>Total</b>	<b>17,076,506,764</b>	<b>26,622,458,063</b>	<b>20,356,336,777</b>	<b>32,127,994,708</b>	<b>16,857,878,287</b>	<b>26,733,829,218</b>	<b>58.58</b>

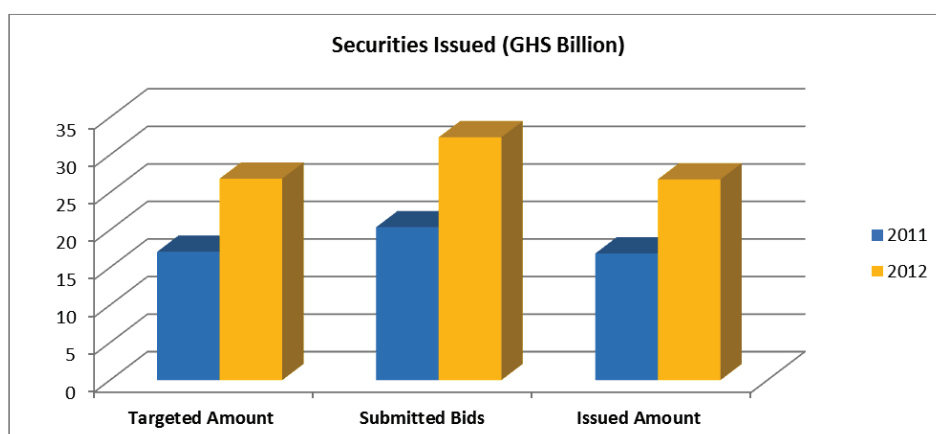
Source: CSD

**Graph 1: Issued Securities by Issuers, 2012.**



Source: CSD

**Graph 2: Issued Securities**



Source: CSD

## 8.4 Outstanding Securities, 2012

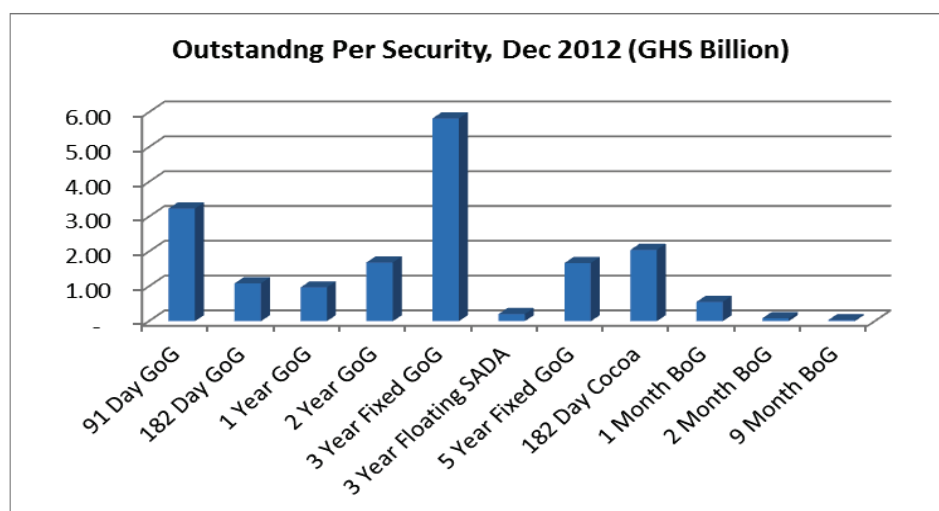
The total outstanding securities for all the bonds, notes and bills at the end of the year amounted to GH¢ 17,382,467,710 as shown in table 4 below.

*Table 4: Issued Securities/ Outstanding Securities*

Issuer	Type of Security	No. of Issues	Value of Issue (GH¢)	% of total Issue	Outstanding (GH¢)	%
Government of Ghana	91 Day GoG	52	12,597,486,629	47.12	3,233,532,778	18.60
	182 Day GoG	52	1,849,020,806	6.92	1,084,639,015	6.24
	1 Year GoG	52	1,038,559,425	3.88	970,027,912	5.58
	2 Year GoG	52	1,339,584,535	5.01	1,687,072,366	9.71
	3 Year Fixed GoG	3	2,219,818,855	8.30	5,822,243,730	33.49
	3 Year Floating SADA	3	202,531,646	0.76	202,531,646	1.17
	5 Year Fixed GoG	2	1,165,911,000	4.36	1,667,943,000	9.60
Cocoa Board	182 Day Cocoa	11	3,845,765,965	14.39	2,045,445,833	11.77
Bank of Ghana	1 Month BoG	30	2,273,841,451	8.51	553,427,323	3.18
	2 Month BoG	20	169,808,906	0.64	84,104,107	0.48
	9 Month BoG	2	31,500,000	0.12	31,500,000	0.18
<b>Total</b>	<b>289</b>		<b>26,733,829,218</b>	<b>100</b>	<b>17,382,467,710</b>	<b>100.00</b>

Source: CSD

*Graph 3: Outstanding per Security*



Source: CSD



## 8.5 Corporate Action

In the year 2012, a total of GH¢ 21,937,979,589 was paid out to investors as interest and maturity proceeds on both coupon and non-coupon bearing securities. This represents 40.96% increment as against the total amount of GH¢15,563,249,022 paid as interest

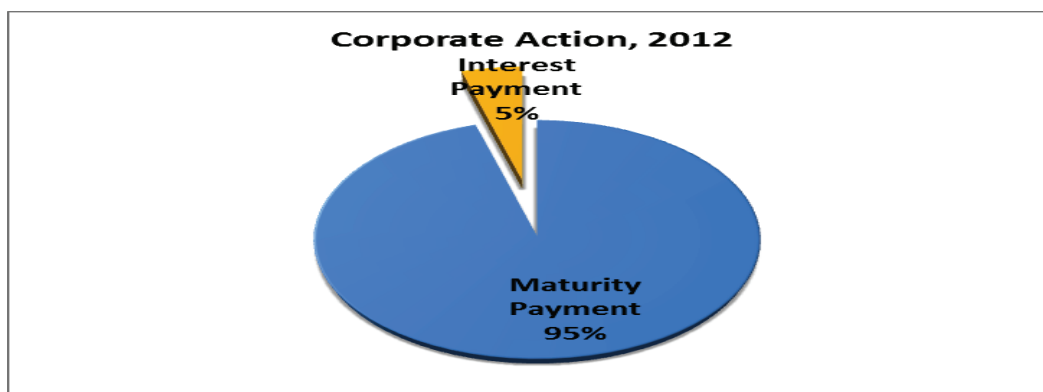
and maturity proceeds to investors in 2011. A total of GH¢20,939,319,465 was paid as maturity proceeds (MP) to eight hundred and nineteen thousand two hundred and sixty five (819,265) investors while GH¢998,660,124 was paid as interest proceeds (IP) to twenty one thousand five hundred and sixty seven (21,567) investors as presented in table 5 below.

**Table 5: Corporate Action Payment**

Action Type	Security Type	Number of Beneficiaries		Amount Paid (GH¢)	
		2011	2012	2011	2012
MP	7 Day BoG Bill	6	-	86,000,000	-
MP	14 Day BoG Bill	4	-	50,022,600	-
MP	1 Month BoG Bill	2	147	25,000,000	1,860,340,359
MP	2 Month BoG Bill	3	18	28,197,000	84,844,598
MP	91 Day Bill	747,866	763,266	6,233,300,900	10,913,427,489
MP	91 Day Cocoa Bill	1,094	-	1,681,762,929	-
MP	182 Day Bill	51,750	45,671	3,064,418,898	2,073,147,390
MP	182 Day Cocoa Bill	42	365	1,243,455,905	3,031,365,416
MP	1 Year Fixed Note	7,486	8,631	1,137,808,347	1,762,201,920
MP	2 Year Fixed Note	729	1,066	928,767,914	800,063,026
MP	3 Year Fixed Bond	32	-	117,789,000	-
MP	5 Year Fixed Bond	18	101	75,660,000	413,929,267
<b>Sub-Total</b>		<b>809,032</b>	<b>819,265</b>	<b>14,672,183,493</b>	<b>20,939,319,465</b>
IP	1 Year Fixed Note	15,287	17,445	158,582,556	186,469,142
IP	2 Year Fixed Note	3,468	3,188	367,876,575	153,054,792
IP	3 Year Fixed Bond	438	639	326,585,250	490,097,805
IP	5 Year Fixed Bond	123	289	38,021,148	156,750,023
IP	3 Year Floating Bond	-	6	-	12,288,362
<b>Sub-Total</b>		<b>19,316</b>	<b>21,567</b>	<b>891,065,529</b>	<b>998,660,124</b>
<b>Grand Total</b>		<b>828,348</b>	<b>840,832</b>	<b>15,563,249,022</b>	<b>21,937,979,589</b>

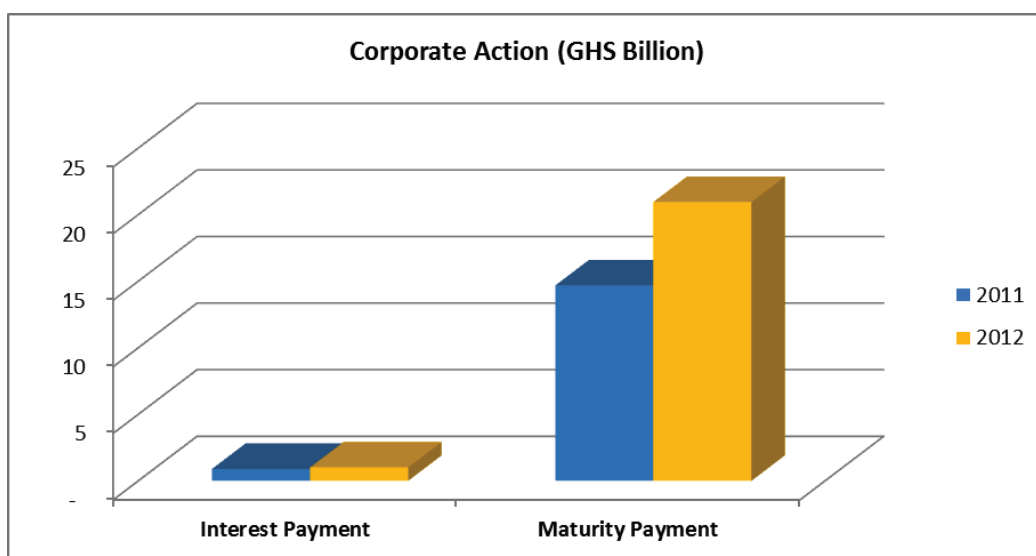
Source: CSD

Graph 4: Corporate Action



Source: CSD

Graph 5: Corporate Action



Source: CSD

## 8.6 Secondary Market Transaction

The volume of trade reported by participants improved tremendously in 2012 as against 2011. For 2012 a total of forty thousand two hundred and sixteen (40,216) transactions in the secondary market were reported into the Depository System representing

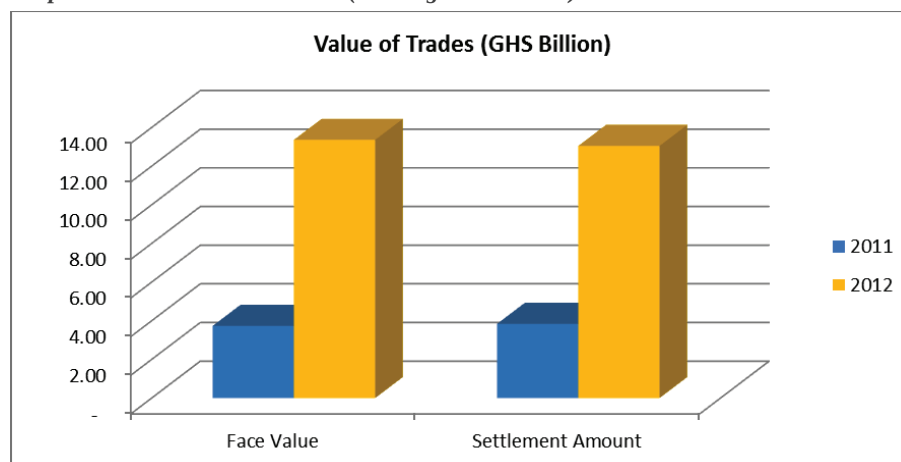
239.12% improvement over the eleven thousand eight hundred and fifty nine (11,859) in 2011. As at the end of 2012 the face value and settlement amount of the reported transactions in the secondary market increased by 257.84% and 239.74% to GH¢ 13,355,503,368 and GH¢13,042,487,104 respectively as captured in table 6 below.

**Table 6: Volume and Value of Secondary Market Transactions (OTC)**

Type of Security	Volume of Trade		Face Value (GH¢)		Settlement Amount (GH¢)	
	2011	2012	2011	2012	2011	2012
91 Day Bill	8,447	30,496	84,718,964	513,147,672	83,010,205	504,843,100
91 Day Cocoa Bill	5	-	34,122,335	-	33,056,826	-
182 Day Bill	1,886	4,666	61,094,674	157,446,106	59,281,241	148,804,373
182 Day Cocoa Bill	21	66	300,059,138	658,188,206	285,448,015	607,009,149
1 Year Note	526	1,960	146,720,703	280,773,990	150,183,391	283,759,253
2 Year Note	335	606	282,662,608	275,832,872	308,386,399	275,884,732
3 Year Fixed Bond	582	1,584	2,510,576,992	7,327,926,588	2,601,098,251	7,433,502,448
5 Year Fixed Bond	57	838	312,319,248	4,142,187,934	318,480,038	3,788,684,049
<b>Total</b>	<b>11,859</b>	<b>40,216</b>	<b>3,732,274,662</b>	<b>13,355,503,368</b>	<b>3,838,944,365</b>	<b>13,042,487,104</b>

Source: CSD

**Graph 6: Over the Counter Trade (Pre-Negotiated Trade)**



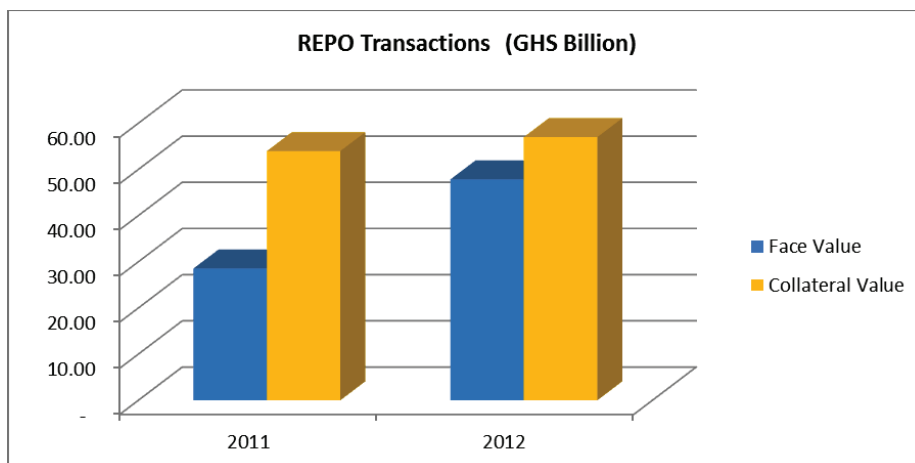
Source: CSD

## 8.7 Repurchased Agreement (Repos)

As of the end of the year, CSD had recorded five thousand eight hundred and six (5,806) Repo transactions on behalf of DPs which is 46.39% greater than the number recorded for 2011. The face value and collateral value of all the repo transactions increased

by 89.10% and 19.14% to GH¢53,958,881,015 and GH¢56,990,726,760 respectively. On the pledge side, the total number of all pledges or volume recorded for the year is three hundred and sixty nine (369) with a value of GH¢773,792,863

Graph 7: Repo Transactions

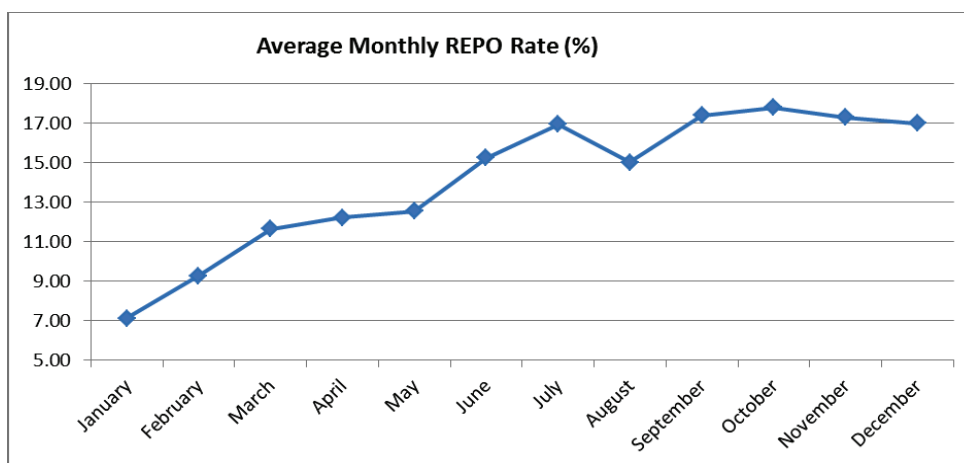


Source: CSD

## 8.8 REPO Rates

The average repo rate for all repo transactions in 2012 was 14.12%. The month of October and January recorded the highest and lowest average rates of 17.79% and 7.12% respectively.

Graph 8: Repo Rates

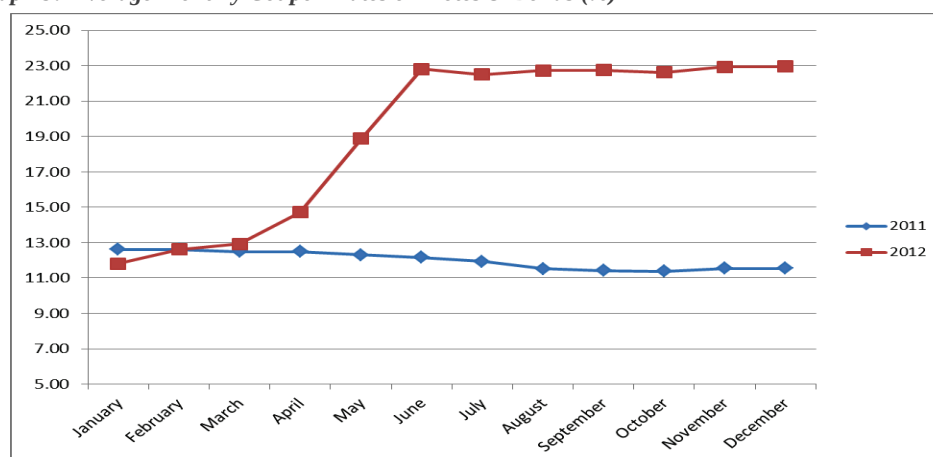


Source: CSD

## 8.9 Coupon Rates

The year began with a monthly average coupon rate of 11.81% which is the lowest for the year and ended with an average coupon rate of 22.96% for the month of December being the highest for the year ending 2012. The general average coupon rate on all the notes and bonds issued for the year was 19.17%. The average coupon rate for the 1 Year note, 2 Year note 3 Year bond and 5 Year Bond were 18.77%, 19.32%, 20.00% and 24.50% respectively.

**Graph 9: Average Monthly Coupon Rates on Notes & Bonds (%)**



Source: CSD

## 9.0 FUTURE DEVELOPMENTS

### 9.1 Development of a Strategic Plan for CSD

As part of the objectives of the CSD to become a first class depository in Ghana and in the sub-region, feasibility study towards the drafting of a strategic plan was initiated in 2011. The process could not continue due to the merger talks with Ghana Stock Exchange Depository. It is expected that the drafting of a medium term strategic plan would commence 2013, taking into consideration the merger negotiations between the two depositories.

### 9.2 Guarantee Fund

A committee has been set up by the Bank of Ghana to draft modalities for the setting up of a Guarantee Fund to mitigate settlement risk in the market.

## 10.0 GLOSSARY

**Corporate Action:** any activity undertaken by the issuer of securities that affects the securities and the holder of the securities.

**Coupon Rate:** interest rate stated on note and bond.

**Depository Participants:** financial institutions, corporations and agencies which act as intermediaries between the CSD and the general investing public.

**Guarantee Fund:** is the value of funds and securities set aside to serve as a warranty in the fulfilment of transactions during securities trade.

**Issuer:** signifies government, corporation, or an agency that sells initial securities to the general public.

**Primary Market:** is a market that deals with the issuance of new securities. Here securities are purchased directly from the issuer.

**Primary Dealers:** are financial institutions approved by Bank of Ghana to participate in the auction of Government of Ghana, Cocoa Board and Bank of Ghana securities at the primary market and to promote investments in the securities market.

**Secondary Market:** refers to post primary market activities.

**Settlement:** is the delivery or movement of securities in exchange of fund.

**Securities:** are financial instruments that represent ownership of investment.



# *FINANCIAL REPORT 2012*

## REPORT OF THE DIRECTORS TO THE MEMBERS

The directors present their report together with the financial statements of Central Securities Depository (GH) Limited as of 31 December 2012.

### Mission of the company

The mission of the Central Securities Depository (GH) Limited (CSD) is to provide a secured and dependable clearing, settlement and depository services to the Government Securities and Money market in an efficient and cost effective manner.

### Statement of directors' responsibility

The directors are responsible for preparing financial statements for each accounting year, which give a true and fair view of the state of affairs of the company as at the end of the accounting year, and of the profit or loss of the company for the year.

In preparing the financial statements, the directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements; and*
- *prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.*

Accordingly, the financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and enable the Company to ensure that the financial statements comply with relevant legislations and accounting standards. They are also responsible

for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Nature of business

The Central Securities and Depository (GH) Limited is a wholly owned subsidiary of Bank of Ghana (BoG). The company is registered and incorporated in Ghana as a private limited liability company under the Companies Act, 1963 (Act 179). CSD has obtained a license from the Securities and Exchange Commission (SEC). The SEC licence enables the company to undertake the business of:

- *Providing a central depository for keeping record of beneficiary owners of financial instrument including government securities and in electronic form;*
- *Undertaking clearing and settlement by book entry of financial instruments including government securities and equity;*
- *Providing for immobilization and dematerialization of securities;*
- *Facilitating buying, selling and other wise dealing in securities;*
- *Operating and managing central securities depository clearing and settlement services.*

### Results of operations

The profit for the year of GH¢580,242 is shown in the statements of comprehensive income. When added to the opening balance on the retained earnings account as of 1 January 2012 of GH¢ (535,013), it leaves a closing balance of GH¢45,229 on the retained earnings account as of 31 December 2012.



## Auditors

The auditors, Ernst & Young, Chartered Accountants, having indicated their willingness, continue in office pursuant to Section 134(5) of the Ghana Companies Act, 1963 (Act 179).

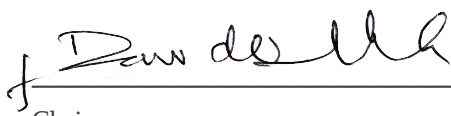
## Holding company

The Central Securities Depository (GH) Limited is 100% owned by Bank of Ghana.

## Dividend

The directors do not recommend the payment of any dividend as of 31 December 2012.

Signed on behalf of the Board:



Chairman

Date: 15/03/2013



Director

Date:15/03/2013

## INDEPENDENT AUDITORS' REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Central Securities Depository (GH) Limited, which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 24 to 25 and 27 to 48.

### Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

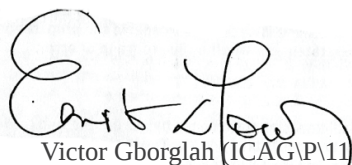
### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Securities Depository (GH) Limited as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

### Report on other legal and regulatory requirements

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

- i. *We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;*
- ii. *In our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and*
- iii. *The balance sheet (statement of financial position) and the profit and loss account (income statement portion of statement of comprehensive income) dealt with by the report are in agreement with the books of account and returns.*



Victor Gborglah (ICAG\P\1151)

For and on behalf of Ernst & Young (ICAG\F\029)  
Chartered Accountants

Accra, Ghana

Date: 15/03/13

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

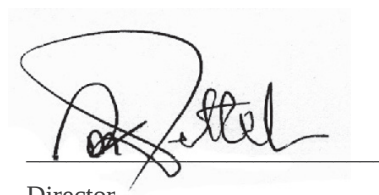
<b>ASSETS</b>	<i>Notes</i>	<b>2012 GH¢</b>	<b>2011 GH¢</b>
<b><i>Non- current assets</i></b>			
Property, plant and equipment	3	479,615	643,393
Intangible asset	4	1,906,132	1,995,817
		<b>2,385,747</b>	<b>2,639,210</b>
<b><i>Current assets</i></b>			
Accounts receivable and prepayments	5	360,180	279,634
Held to maturity investment	6	1,790,654	1,556,813
Cash and bank	7	1,330,714	236,191
		<b>3,481,548</b>	<b>2,072,638</b>
<b>TOTAL ASSETS</b>		<b>5,867,295</b>	<b>4,711,848</b>
<b><i>EQUITY AND LIABILITIES</i></b>			
<b><i>Equity</i></b>			
Share capital	8	3,500,000	3,000,000
Deposit for shares	9	183,836	-
Retained earnings		45,229	(535,013)
		<b>3,729,065</b>	<b>2,464,987</b>
<b><i>Noncurrent Liabilities</i></b>			
Deferred capital grant	10a	1,839,178	2,013,651
Deferred tax liabilities	11(i)	29,848	-
		<b>1,869,026</b>	<b>2,013,651</b>
<b><i>Current Liabilities</i></b>			
Deferred capital grant	10a	174,473	174,473
Accounts payable and accruals	12	23,340	58,737
Taxation	11(ii)	71,391	-
		<b>269,204</b>	<b>233,210</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,867,295</b>	<b>4,711,848</b>

Signed on behalf of the Board:



Director

Date: 15/03/2013



Director

Date: 15/03/2013

The attached notes 3 to 17 form an integral part of these financial statements

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 GH¢	2011 GH¢
Revenue	13	1,655,741	599,720
Other income	14	1,129,085	882,926
		2,784,826	1,482,646
Operating Expenses		(2,103,346)	(1,659,820)
Finance cost		-	(20,221)
Profit/(loss) for the year		681,480	(197,395)
Income tax expense	11(iii)	(101,238)	-
<b>Total comprehensive income for the year</b>		<b>580,242</b>	<b>(197,395)</b>

The attached notes 3 to 17 form an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2012

	Issued and fully paid shares GH¢	Retained Earning GH¢	Total Equity GH¢
<b>2012</b>			
Balance at 1 January	3,000,000	(535,013)	2,464,987
Additional Shares	500,000	-	500,000
Total comprehensive income for the year	-	580,242	580,242
<b>Balance as of 31 December 2012</b>	<b>3,500,000</b>	<b>45,229</b>	<b>3,545,229</b>
<b>2011</b>			
Proceeds from issue of shares	3,000,000	-	3,000,000
Total comprehensive income	-	(535,013)	(535,013)
<b>Balance as of 31 December 2011</b>	<b>3,000,000</b>	<b>(535,013)</b>	<b>2,464,987</b>

The attached notes 3 to 17 form an integral part of these financial statements

## STATEMENT OF CASHFLOWS

### 31 DECEMBER 2012

	Notes	2012 GH¢	2011 GH¢
<b>OPERATING ACTIVITIES</b>			
Profit /(loss) for the year before tax		681,480	(197,395)
Adjustment for:			
Depreciation	3	194,228	142,202
Amortisation	4	111,548	106,074
Movement in grant	10	(174,473)	(174,976)
Interest accrued on short term investments	6	(40,603)	(11,574)
<b>Operating cash flow before working capital changes</b>		<b>772,180</b>	<b>(135,669)</b>
Increase in accounts receivable		(80,548)	(279,634)
Increase in payables and accruals		(35,397)	46,737
<b>Net cash outflow from operating activities</b>		<b>656,235</b>	<b>(368,566)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of PPE	3	(30,450)	(507,473)
Purchase of intangible asset	4	(21,862)	(16,912)
Short term investment redeemed/(purchased)		(193,237)	870,771
<b>Net cash inflow/(outflow) in investing activities</b>		<b>(245,549)</b>	<b>346,386</b>
<b>FINANCING ACTIVITY</b>			
Deposit for shares		183,836	-
Proceeds from issue of share		500,000	-
<b>Net cash flow from financing activities</b>		<b>683,836</b>	<b>-</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,094,522</b>	<b>(22,180)</b>
Cash and Cash equivalents as of 1 January 2012		236,191	258,371
<b>CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER</b>	7	<b>1,330,714</b>	<b>236,191</b>

The attached notes 3 to 17 form an integral part of these financial statements

# 1. CORPORATE INFORMATION

## 1.1 ACTIVITIES

The Central Securities Depository (CSD) is a wholly owned subsidiary Bank of Ghana registered and incorporated in Ghana as a private limited liability company under the Companies Code, 1963 (Act 179) to provide services including the following:

- *Providing a central depository for keeping record of beneficiary owners of financial instruments including government securities and in electronic form;*
- *Undertaking clearing and settlement by book entry of financial instruments including government securities and equity;*
- *Providing for immobilisation and dematerialisation of securities;*
- *Facilitating buying, selling and other wise dealing in securities;*
- *Operation and management of a central securities depository clearing and settlement services.*

## 1.2 Compliance with IFRS

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

## 1.3 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 Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

### *IAS 19 Employee Benefits (Revised)*

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of

expected returns on plan assets to simple clarifications and re-wording.

The amendment becomes effective for annual periods beginning on or after 1 January 2013.

### *IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities,

IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

### *IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32*

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

### *IFRS 1 Government Loans – Amendments to IFRS 1*

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception

would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Company.

#### ***IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7***

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

#### ***IFRS 9 Financial Instruments: Classification and Measurement***

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9. Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities.

The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

#### ***IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements***

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Company. This standard becomes effective for annual periods beginning on or after 1 January 2013.

#### ***IFRS 11 Joint Arrangements***

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. With the application of the new standard, the investment in Showers Limited will be accounted for using the equity method of accounting. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application.

#### ***IFRS 12 Disclosure of Interests in Other Entities***

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These



disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

### ***IFRS 13 Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

### ***IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine***

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Company.

### ***Annual Improvements May 2012***

These improvements will not have an impact on the Company, but include:

### ***IFRS 1 First-time Adoption of International Financial Reporting Standards***

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped

applying IFRS.

### ***IAS 1 Presentation of Financial Statements***

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

### ***IAS 16 Property Plant and Equipment***

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

### ***IAS 32 Financial Instruments, Presentation***

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

### ***IAS 34 Interim Financial Reporting***

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. These improvements are effective for annual periods beginning on or after 1 January 2013.

## **2.1 Basis of preparation**

The financial statements are prepared under the historical cost convention.

## **2.2 Functional and reporting currency**

The financial statements are presented in Ghana cedis, which is the functional and reporting currency of the company.

## **2.3 Significant accounting judgements, estimates and assumption**

The preparation of the financial statement is in conformity with generally accepted accounting standards which require management to make estimates

and assumptions that influence the valuation of asset and liabilities and the disclosure of contingent asset and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reported period.

However, uncertainty about these assumptions and the estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in the future.

## 2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements.

### *Rendering of services*

Income is recognized when services are rendered.

## 2.5 Financial assets

### *Initial recognition*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within the time frame established by

regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the company commits to purchase or sale of the asset.

The company's financial assets include cash, short term-term deposits, trade and other receivables and loan and other receivables

### *Impairment of financial assets*

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

### *Initial recognition*

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as change in arrears or economic conditions that correlate with defaults.

### *Derecognition of financial assets*

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- » *the rights to receive cash flows from the asset have expired; or*
- » *the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full*

*without material delay to a third party under a “pass-through” arrangement; and either (a) the company has transferred substantially all risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.*

When the company has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under the “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Company’s continuing involvement in the asset..

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay..

When a continuing involvement take the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

The company’s financial assets include cash and short-term deposits

### **Receivables**

Accounts receivable and other receivables are recorded in the statement of financial position at face value after deduction of provision for expected losses. Provisions for losses are made on the basis of an individual assessment of each receivable item.

### **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at banks and in hand, short-term fixed deposits with an original maturity of three months or less, bank overdrafts which are repayable on demand and which form an integral part of the company’s cash management..Cash and cash equivalents are measured subsequently at amortised cost.

### **Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. The losses arising from impairment are recognised in the income statement in finance costs.

## **2.6 Financial liabilities**

### **Initial recognition**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate..The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable to transaction costs.

### ***Subsequent measurement***

The measurement of financial liabilities depends on their classifications as follows:

#### ***Financial liabilities at fair value through profit and loss***

Financial liabilities at fair value through profit and loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss..

Financial liabilities are classified as held for trading if they are acquired for the purposes of selling in the near term..

Gains and losses on liabilities held for trading are recognized in the income statement.

Central Securities Depository (Gh) Limited has not designated any financial liabilities as at fair value through profit or loss.

#### ***Accounts payable and accruals***

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

#### ***Derecognition of financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires..

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

## **2.7 Foreign currency translation**

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies

are retranslated at rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

## **2.8 Property, plants and equipment**

The company recognises an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it and the cost can be reliably measured by the company.

Property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

When significant parts of property, plant and equipment are required to be replaced in intervals, the company recognises such parts as individual assets with specific useful lives and depreciation respectively.. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The current annual depreciation rates for each class of property, plant and equipment are as follows:

Equipment	25%
Furniture & Fittings	20%
Motor Vehicle	20%

Costs associated with day-to-day servicing and maintenance of assets is expensed as incurred. Subsequent expenditure is capitalized if it is probable that future economic benefits associated with the item

will flow to the company.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognized.

Residual values, useful lives and methods of depreciation for property and equipment are reviewed, and adjusted if appropriate, at each financial year end.

#### ***Intangible assets***

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired. Intangible assets whose useful lives can be reasonably estimated are amortised over the estimated useful lives of these assets. The current annual amortisation rates for the intangible asset (software) is 5% per annum.

#### ***Impairment of non financial assets***

The carrying values of property, plant and equipment are reviewed for indications of impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable..If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units to which the asset belongs are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is

any indication that previously recognised impairment losses may no longer exist or may have decreased.. The company estimates the asset's or cash generating unit's recoverable amount..A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognised..The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years..Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

## **2.9 Pensions and other post-retirement benefit**

### ***Social security contributions***

This is a National Pension Scheme under which the company pays 13.5% of qualifying employees' basic monthly salaries to a state managed Social Security Fund for the benefit of the employees. All employer contributions are charged to the statement of comprehensive income as incurred and included under staff costs.

Employees contribute 5.5% of their basic salary to the National Pension Scheme. This is a defined contribution scheme.

## **2.10 Taxation**

### ***a) Income tax***

Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in shareholders' equity or other comprehensive income, in which case it is recognized in shareholders' equity or other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The



tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax assets and liabilities are offset when the Company intends to settle on net basis and the legal right to set-off exists.

#### **b) Deferred income tax**

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- »when the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- »in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- »when the deferred income tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- »in respect of deductible temporary differences

*associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.*

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **c) Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of VAT except: where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

The net amount of value added tax recoverable from, or payable to, the Internal revenue service is included as part of receivables or payables in the statement of financial position.

## 2.11 Bank of Ghana grants

Bank of Ghana grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2012

<b>3. PROPERTY, PLANT AND EQUIPMENT 2012</b>				
	<b>Equipment GH¢</b>	<b>Furniture and Fittings GH¢</b>	<b>Motor Vehicle GH¢</b>	<b>Total GH¢</b>
<b>Cost</b>				
Balance as at 1 January 2012	394,280	246,679	154,886	795,845
Additions	28,450	2,000	-	30,450
<b>Balance as at 31 December 2012</b>	<b>422,730</b>	<b>248,679</b>	<b>154,886</b>	<b>826,295</b>
<b>Accumulated Depreciation</b>				
Balance as at 1 January 2012	87,415	35,334	29,703	152,452
Charge for the year	101,456	61,795	30,977	194,228
<b>Balance as at 31 December 2012</b>	<b>188,871</b>	<b>97,129</b>	<b>60,680</b>	<b>346,680</b>
<b>Net book value</b>				
<b>Balance as at 31 December 2012</b>	<b>233,859</b>	<b>151,550</b>	<b>94,206</b>	<b>479,615</b>



**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2012**

**3. PROPERTY, PLANT AND EQUIPMENT (cont'd) 2011**

	Equipment	Furniture and Fittings	Motor Vehicle	Total
		GH¢	GH¢	GH¢
<b>Cost</b>				
Balance as at 1 January 2011	232,087	14,599	13,200	259,886
Additions	162,193	242,489	102,791	507,473
Transfers from BoG			38,895	38,895
Transfer to BoG	-	(10,409)	-	(10,409)
<b>Balance as at 31 December 2011</b>	<b>394,280</b>	<b>246,679</b>	<b>154,886</b>	<b>795,845</b>
<b>Accumulated Depreciation</b>				
Balance as at 1 January 2011	9,670	487	440	10,597
Charge for the year	77,745	35,194	29,263	142,202
Transfer	-	(347)	-	(347)
<b>Balance as at 31 December 2011</b>	<b>87,415</b>	<b>35,334</b>	<b>29,703</b>	<b>152,452</b>
<b>Net book value</b>				
<b>Balance as at 31 December 2011</b>	<b>306,865</b>	<b>211,345</b>	<b>125,183</b>	<b>643,393</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2012

<b>4. Intangible assets (Software)</b>		
	<b>2012</b>	<b>2011</b>
	<b>GH¢</b>	<b>GH¢</b>
Cost		
Balance as at 1 January 2012	2,119,412	2,102,500
Addition/revaluation	21,863	16,912
	<b>2,141,275</b>	<b>2,119,412</b>
<b>Accumulated amortisation</b>		
Balance as at 1 January 2012	123,595	17,521
Amortisation for the year	111,548	106,074
	<b>235,143</b>	<b>123,595</b>
<b>Balance at 31 December 2012</b>	<b>1,906,132</b>	<b>1,995,817</b>
<b>5. Accounts receivable</b>		
	<b>2012</b>	<b>2011</b>
	<b>GH¢</b>	<b>GH¢</b>
Trade receivable	234,630	215,190
Prepayments	125,550	63,618
Withholding tax	-	826
	<b>360,180</b>	<b>279,634</b>
<b>6. Held to maturity investments</b>		
	<b>2012</b>	<b>2011</b>
	<b>GH¢</b>	<b>GH¢</b>
Short term investments	1,750,050	1,545,239
Interest Receivable	40,603	11,574
	<b>1,790,653</b>	<b>1,556,813</b>
<b>7. Cash and Bank Balances</b>		
	<b>2012</b>	<b>2011</b>
	<b>GHC</b>	<b>GHC</b>
Cash at bank	1,330,593	233,289
Cash in hand	121	2,902
	<b>1,330,714</b>	<b>236,191</b>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

### 8. Stated Capital

#### a. Authorized shares

The Company is registered with 3,000,000 ordinary shares of no par value.

#### b. Issued shares

	2012		2011	
	No. of Shares	Amount (GH¢)	No. of Shares	Amount (GH¢)
Issued for cash		3,500,000	3,000,000	3,000,000
		3,500,000	3,000,000	3,000,000

There is no share in treasury and on call or instalment unpaid on any share.

### 9. Deposit for shares

Deposit for shares relates to investment by the Bank of Ghana in the company in respect of which shares would be issued by the company.

### 10. Bank of Ghana grants

#### a. Deferred Capital Grant

	2012 GH¢	2011 GH¢
At 1 January	2,188,124	2,362,385
Grants received during the year	-	38,895
Grants released into income statement	(174,473)	(174,976)
Write off of grants relating to transferred assets	-	(10,062)
Prior period adjustments	-	(28,118)
At 31 December	2,013,651	2,188,124
Current	174,473	174,473
Noncurrent	1,839,178	2,013,651

Capital grants represent the value of assets transferred to the company by its Parent (the Bank of Ghana) at nil values on 26 October 2010. These assets were subsequently valued and incorporated in the financial statements.

#### b. Revenue grant

Revenue grants represent staff costs paid on behalf of the company by its Parent (the Bank of Ghana).

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2012

#### 11 i. Deferred tax liabilities

	2012 GH¢	2011 GH¢
At 1 January	-	-
Charge to income statement	29,848	-
	<b>29,848</b>	<b>-</b>

#### ii) Corporate tax

	Balance at 1 January GH¢	Payments during the year GH¢	Charge/ to statement of comprehensive income GH¢	Balance at 31 December GH¢
<b>Income tax</b>				
2012	-	-	71,391	71,391
	<b>-</b>	<b>-</b>	<b>71,391</b>	<b>71,391</b>

#### iii) Tax rate reconciliation

The tax charge in the Income Statement differs from the hypothetical amount that would arise using the statutory income tax rate. This is explained as follows:

	2012 GH¢	2011 GH¢
Profit before tax	681,480	-
Tax at applicable rate of 25% (2010:25%)	170,370	-
Tax effect on non-deductible expenses	76,444	-
Tax effect on capital allowance	(175,424)	-
Movement in deferred tax	29,848	-
Tax expense	<b>101,238</b>	<b>-</b>

#### 12. Accounts payable and accruals

	2012 GH¢	2011 GH¢
Creditors	6,090	37,377
Deferred income	-	6,360
Audit fees	17,250	15,000
	<b>23,340</b>	<b>58,737</b>

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

### 13. Revenue

	2012	2011
	GH¢	GH¢
Registration Fees	1,586,741	180,000
Transaction Fees	69,000	419,720
	<b>1,655,741</b>	<b>599,720</b>

### 14. Other income

	2012	2011
	GH¢	GH¢
Capital grant (Note 10a)	174,473	174,976
Revenue grant (Note 10b)	542,874	452,417
Interests earned on investments	268,473	244,133
Miscellaneous income	121,065	-
Training on CSD software	22,200	11,400
	<b>1,129,085</b>	<b>882,926</b>

### 15. Contingencies

#### *Contingent liabilities*

There were no contingent liabilities as of 31 December 2012 (31 December 2011, nil).

#### *Contingent assets*

There were no contingent assets as of 31 December 2011 (31 December 2011, nil).

### 16. Related party disclosures

The company is a 100% subsidiary of the Bank of Ghana. Transaction with the parent company includes the transfer of assets to the subsidiary and the provision office accommodation for the subsidiary at no cost and without any settlement obligations.

Compensation to directors for the period under review amounted to GH¢139,130

Staff salaries paid by Bank of Ghana for the year amounted to GH¢452,417

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2012

#### 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

##### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. Management has assessed this risk and concluded that the company has no exposure to this risk.

##### **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 company assessed that it has no significant exposure to the risk of changes in market interest rates.

##### **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company currently does not have significant exposure to this risk as it has no significant foreign currency denominated assets and liabilities.

##### **Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. Customer credit risk is managed by the Finance Unit subject to the Company's established policy, procedures and control relating to customer credit risk management.

##### **Liquidity risk**

The Company monitors its risk of a shortage of funds by monitoring the maturity dates of existing trade accounts payables.

##### **Capital management**

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio that support its business and maximise shareholder value. Management considers capital to consist only of equity as disclosed in the statement of financial position. In order to ensure an appropriate return for shareholder's capital invested in the company, management thoroughly evaluates all material projects and potential acquisitions before approval.

## SUPPLEMENTARY FINANCIAL INFORMATION

### 31 DECEMBER 2012

	2012 GH¢	2011 GH¢
Staff emoluments	1,024,003	744,404
Social security contributions	33,107	20,709
Directors fees	139,130	145,399
Board expenses	4,713	15,744
IT expenses	300,537	197,348
Postages	-	33
Training	139,432	130,087
Miscellaneous	16,687	15,205
Audit fees	19,612	16,850
Motor running cost- fuel	16,639	14,842
Motor running cost-repairs & maintenance	3,204	3,159
Motor running cost-licence & registration	4,392	30
International bodies subscription	3,320	6,661
Stationery	3,099	3,876
Newspapers	2,697	2,188
Telephones	12,392	10,019
Advertisement	2,293	37,161
Entertainment	-	1,065
Medical	3,767	2,635
Printing	8,347	160
Meals allowance	32,985	25,020
Cleanings and Laundry	1,585	2,356
Protocol expenses	11,999	5,946
Insurance – assets and staf	11,785	9,977
Repairs and maintenance	1,845	670
Depreciation and Amortisation	305,776	248,276
	<b>2,103,346</b>	<b>1,659,820</b>

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