

SETTLEMENT GUARANTEE FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD 8 MARCH 2016 (DATE OF REGISTRATION) to 31
DECEMBER 2016**

Settlement Guarantee Fund

Annual report

for the period 8 March 2016 (date of registration) to 31 December 2016

Contents

	Page
Corporate information	1
Report of the Trustees	2 - 3
Independent auditor's report	4 - 6
Financial statements:	
Statement of income and expenses	7
Statement of net assets available to members	8
Statement of changes in members funds	9
Statement of cash flows	10
Notes	11 - 23

Settlement Guarantee Fund
Annual report
for the period 8 March 2016 (date of registration) to 31 December 2016

CORPORATE INFORMATION

Board of Trustees

Melvina A.A. Amofo - Chairperson
Dornu Narnor
Brigid Yankah

Administrator

Central Securities Depository (GH) Ltd
Fourth Floor Cedi House
PMB CT465
Cantonments
Accra

Independent auditor

PricewaterhouseCoopers
Chartered Accountants
PwC Tower
A4 Rangoon Lane, Cantonments City
PMB CT42,
Cantonments, Accra

Registered office

Fourth Floor Cedi House
PMB CT465
Cantonments
Accra

Banker

Bank of Ghana

Settlement Guarantee Fund

Annual report

for the period 8 March 2016 (date of registration) to 31 December 2016

REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the period 8 March 2016 (date of registration) to 31 December 2016.

Establishment, nature and status of the Fund

The Settlement Guarantee Fund is a guarantee fund established and maintained by the Central Securities Depository (GH) Limited for the purpose of providing an indemnity against default in respect of payments for or delivery of securities by a depository participant and obligations of participants towards the central securities depository as stipulated under the Central Securities Depository Act, 2007 (Act 733).

The assets of the Fund consist of monies accruing to the Fund and contributions specified in the Act.

Central Securities Depository (GH) Limited, acting through the Trustees, is ultimately responsible for administration of the Fund and its responsibility to the Fund is established by the Guidelines on the Settlement Guarantee Fund approved by the Securities and Exchange Commission on 8 March 2016. The guidelines are subject to Act 733 which forms the basis of establishing the Fund.

Membership statistics

	Members
At 8 March 2016	
Joiners	-
Withdrawals	71
	-
At 31 December 2016	
	71

Investment report

The Board of Trustees submit the investment report of the Settlement Guarantee Fund for the period ended 31 December 2016.

(i) Statement of investment principles

We, the Board of Trustees attest that funds have been invested with the objective of obtaining safe and fair returns. The primary objective of the Fund is to achieve a long-term return in excess of inflation at minimal credit risk, while maintaining a highly liquid portfolio. As such, the investments of the Fund are all made in Government of Ghana treasury bills.

The table below shows the Fund's investment portfolio statistics as at 31 December 2016.

	Average interest rate	Closing interest rate	Investment income earned	Period end Value of investment
	%	%		GH¢
Government securities	<u>23.6</u>	<u>22.5</u>	<u>69,311</u>	<u>1,055,741</u>

Settlement Guarantee Fund

Annual report

for the period 8 March 2016 (date of registration) to 31 December 2016

REPORT OF THE TRUSTEES (continued)

(ii) Financial results

The statement of changes in members funds as presented on page 9 shows an increase for the period of GH¢1,119,393. The statement of net assets available to members on page 8 shows the Fund's net assets as at 31 December 2016 of GH¢1,119,393.

(iii) Expenses

All expenses of the Fund are charged to the Administrator of the Fund. Details of fees paid by the Administrator on behalf of the Fund are as follows:

	2016 GH¢
Audit fees	<u>15,926</u>

Auditor

PricewaterhouseCoopers has expressed their willingness to continue in office as Auditor of the Fund.

Statement of Trustees' responsibilities

The guidelines of the Settlement Guarantee Fund require the Trustees to apportion interests accrued from investments of the Fund to its members at the end of each financial year after the financial statements have been audited by an external auditor. The Trustees are also to ensure that the Fund keeps proper accounting records of its income, expenditure, liabilities and assets.

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards. The Trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

The Trustees certify that to the best of their knowledge and belief, the information furnished to the auditor for the purposes of the audit is correct and complete in every respect.

On behalf of the Board of Trustees

Name of Trustee: DORNU NARNOR

Signature: 

Name of Trustee: MELVINA A.A. AMOATU

Signature: 

..... July 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SETTLEMENT GUARANTEE FUND**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Settlement Guarantee Fund (the "Fund") as at 31 December 2016, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

What we have audited

We have audited the financial statements of Settlement Guarantee Fund for the period 8 March 2016 (date of registration) to 31 December 2016.

The financial statements comprise:

- the statement of net assets available to members as at 31 December 2016;
- the statement of income and expenses for the period then ended;
- the statement of changes in members funds for the period then ended;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The trustees are responsible for the other information. The other information comprises the Corporate Information and the Report of the Trustees but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SETTLEMENT GUARANTEE FUND (continued)

Other information (continued)

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the financial statements

The trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The trustees are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees;
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern; and

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SETTLEMENT GUARANTEE FUND (continued)**

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

We also provide the trustees with a statement that we have complied with relevant ethical requirements regarding independence and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Asiedu-Antwi (ICAG/P/1138).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2020/028)

Chartered Accountants

Accra, Ghana

25 August 2020



Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

STATEMENT OF INCOME AND EXPENSES
(All amounts are in Ghana cedis)

	Note	<u>Period ended 31 December</u>
		2016
Dealings with members:		
Contributions	9	<u>1,050,082</u>
Net additions from dealings with members		<u>1,050,082</u>
Returns on investments:		
Investment income	4	<u>69,311</u>
Net investment income		<u>69,311</u>
Administrative expenses	5	<u>-</u>
Net income for the period		<u>1,119,393</u>

The notes on pages 11 to 23 are an integral part of these financial statements.

Settlement Guarantee Fund
Financial statements
for the period 8 March 2016 (date of registration) to 31 December 2016

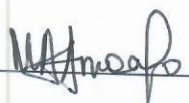
STATEMENT OF NET ASSETS AVAILABLE TO MEMBERS
(All amounts are in Ghana cedis)

		<u>At 31 December</u>
Assets	Note	2016
Cash and cash equivalents	6	19,326
Contributions receivable	7	44,326
Financial assets at amortised cost	8	<u>1,055,741</u>
Total assets		<u>1,119,393</u>
Represented by:		
Members funds		<u>1,119,393</u>

The financial statements on pages 7 to 23 were approved for issue by the Trustees on July 2020 and signed on their behalf by:



Trustee



Trustee

The notes on pages 11 to 23 are an integral part of these financial statements.

Settlement Guarantee Fund
Financial statements
for the period 8 March 2016 (date of registration) to 31 December 2016

STATEMENT OF CHANGES IN MEMBERS FUNDS
(All amounts are in Ghana cedis)

	<u>Period ended 31 December</u>
	2016
Balance at start of period	-
Increase in the period	<u>1,119,393</u>
Balance at end of period	<u>1,119,393</u>

The notes on pages 11 to 23 are an integral part of these financial statements.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

STATEMENT OF CASH FLOWS

(All amounts are in Ghana cedis)

	Note	Period ended 31 December 2016
Cash flows from operating activities		
Contribution from members	9	<u>1,005,756</u>
Net cash generated from operating activities		<u>1,005,756</u>
Cash flows from investing activities		
Purchase of financial assets	8	<u>(986,430)</u>
Net cash used in investing activities		<u>(986,430)</u>
Increase in cash and cash equivalents		<u>19,326</u>
Movement in cash and cash equivalents		
At start of the period		-
Increase in cash and cash equivalents		<u>19,326</u>
At end of the period	6	<u>19,326</u>

The notes on pages 11 to 23 are an integral part of these financial statements.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES

1. Fund information

The Settlement Guarantee Fund is a guarantee fund established and maintained by the Central Securities Depository (GH) Limited for the purpose of providing an indemnity against default in respect of payments for or delivery of securities by a depository participant and of obligations of participants towards the central securities depository as stipulated under the Central Securities Depository Act, 2007 (Act 733). The address of its registered office is Cedi House, Accra.

As at the date of reporting, the number of members of the Fund was seventy-one.

The financial statements are for the first period of reporting covering 8 March 2016 (date of registration) to 31 December 2016.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustees.

The financial statements are presented in Ghana Cedis (GH¢). The financial statements have been prepared under the historical cost convention, except as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Governing Board of Trustees to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

2. Summary of significant accounting policies (continued)

(b) Changes in accounting policy and disclosures

i) New and amended standards adopted by the Fund

There are no new IFRSs and International Financial Reporting Interpretation Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2016 that have an impact on the financial statements.

ii) New standards and interpretations that are not yet effective and have not been early adopted

A number of new standards and amendments to standards and interpretations are available for early adoption for annual periods beginning after 1 January 2016 but have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund, except the following:

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Fund is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Fund is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Fund.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(c) Contributions

Contributions from members are accounted for in the period in which they fall due.

(d) Settlement

Settlements payable to seceding members are recognised as liabilities in the period in which they fall due.

(e) Income from investments

Interest income is recognised for all interest bearing instruments using the effective interest method. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

Dividend income for equity investments is recognised when the right to receive payment is established.

(f) Financial assets and liabilities

All purchases and sales of financial assets at fair value through profit or loss are recognised on the trade date, which is the date the Fund commits to purchase or sell the asset.

Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. All changes in the fair value arising on investments are recognised in the statement of income and expenses.

The fair values of quoted investments are based on current prices. If the market for an investment is not active (and for unlisted securities), the trustees establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis.

Loans and receivables

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

- (i) those that the Fund intends to sell immediately or in the short term, which are classified as held for trading, and those that the Fund upon initial recognition designates at fair value through profit or loss;
- (ii) those that the Fund upon initial recognition designates as available for sale; or
- (iii) those for which the holder may not recover substantially all of the initial investment, other than because of credit deterioration.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Loans and receivables (continued)

The Fund's loans and receivables comprise loans and advances; cash and cash equivalents; and government securities.

Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances or as investment securities. Interest on loans is included in profit or loss and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in profit and loss as 'loan impairment charges'.

Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised.

Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit and loss. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in profit and loss. Dividends on available-for-sale equity instruments are recognised in profit and loss in 'Dividend income' when the Fund's right to receive payment is established.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity, other than:

- (a) those that the Fund upon initial recognition designates at fair value through profit or loss;
- (b) those that the Fund designates as available-for-sale; and
- (c) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the statement of income and expenses and reported as 'interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of income and expenses income as 'net gains/(losses) on investments. Held-to-maturity investments are government securities. There were no such assets in the current period.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, which is the date on which the entity commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets, carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise.

Dividends on financial assets at fair value through profit or loss and available for sale equity investments are recognised in profit or loss as part of other income when the entity's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using foreign exchange rates and counterparty spreads existing at the reporting dates.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Reclassification of financial assets

The Fund may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category, if the financial asset is no longer held for the purpose of being sold in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Fund may choose to reclassify financial assets that would meet the definition of loans and receivables out of held-for-trading or available-for-sale categories, if the Fund has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Classes of financial instruments

The Fund classifies financial instruments into classes that reflect the nature and characteristics of those financial instruments. The classification is set out in the table below:

Category (as defined by IAS 39)	Class (as determined by the Fund)	
Financial assets	Loans and receivables	Contributions receivable Cash and cash equivalents
	Held to maturity	Government of Ghana securities
	Financial liabilities at amortised cost	Accounts payable
Financial liabilities		

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Financial assets carried at amortised cost

The Fund assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The criteria that the Fund uses to determine whether there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio.

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

For loans and receivable category the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Fund's grading process that considers asset type, industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss in impairment charge for credit losses.

Assets classified as available for sale

The Fund assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at each financial year end. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Financial liabilities

The Fund's holding in financial liabilities represents mainly other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

(h) Provisions

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

3. Critical accounting estimates and judgements

The Fund's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Financial assets and liabilities classification

The Fund's accounting policies provide scope for assets and liabilities to be designated at inception into the accounting categories in certain circumstances. In classifying financial assets as held-to-maturity, the Fund has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policy.

This classification requires significant judgement. If the Fund were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Fund is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation models as described in Note 2.f.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. The Scheme's accounting policy on fair value measurements is discussed in Note 2.f.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

4. Investment income**2016**

Interest income earned on treasury bills and bonds

69,311**5. Administrative expenses**

Expenses of the Fund are charged to the Administrator of the Fund. Fees paid by the Administrator on behalf of the Fund for the period ended 31 December 2016 are audit fees of GH¢ 15,926.

6. Cash and cash equivalents**2016**

Cash at bank

19,326**7. Contributions receivable**

Outstanding contributions from depository participants

44,326

All contributions outstanding are current.

8. Financial assets at amortised cost

Treasury bill maturing after 91 days of purchase
Treasury bill maturing within 91 days of purchase

1,055,741**-****1,055,741**

The movement in financial assets is as follows:

At start of the period

-

Purchases at cost

986,430

Redeemed upon maturity

-

Accrued interest

69,311**At end of the period****1,055,741**

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

9. Members' account

Members' account comprises contributions received and receivable from depository participants operating in the Securities Market. Contributions represent funding from depository participants in accordance with the guidelines of the Settlement Guarantee Fund as approved by the Securities and Exchange Commission of Ghana.

Details of contributions from members is as follows:

2016

Contributions received

1,005,756

Contributions receivable

44,326**1,050,082****10. Related party transactions**

Related parties comprise the Trustees and Central Securities Depository (GH) Limited.

The following transactions were carried out with related parties during the period:

2016

Contribution received from Central Securities Depository (GH) Limited

500,000

No amount has been paid or are payable to the Trustees of the Fund.

11. Income taxes

The tax liability of income accruing to the Fund is payable by members of the Fund based on the allocation by Central Securities Depository (GH) Limited.

12. Financial risk management objectives and policies

The Trustees have overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to these limits.

The Trustees, through standards and procedures, aim to develop a disciplined and constructive control environment, in which all Trustees understand their roles and obligations. The Trustees are responsible for monitoring compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Fund.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

12. Financial risk management objectives and policies (continued)

Market risk

Interest rate risk

The Fund's investments in bank deposits and fixed rate government bonds expose it to cash flow interest rate risk. The investment managers advise the Trustees on the appropriate balance of the portfolio between these fixed interest rate investments. The Fund has no interest-bearing liabilities.

At 31 December 2016, an increase/decrease in interest rates of 1% with all other variables held constant would have resulted in an increase/decrease in net assets available for settlement of GH¢2,954 arising substantially from cash flows on these investment securities.

Price risk

The exposure to equity securities price risk arises from investments held by the Fund at fair value through profit or loss. The fund has no exposures to price risk.

Credit risk

The Fund invests in Government of Ghana bonds, treasury bills and fixed deposits issued by financial institutions licensed by the Bank of Ghana. Financial assets exposed to credit risk are as follows:

	2016
Cash and cash equivalents	19,326
91-day treasury bills	1,055,741
Contributions receivable	<u>44,326</u>
	<u>1,119,393</u>

The financial instruments and contributions receivable are neither past due nor impaired.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated settlement payments.

Settlement Guarantee Fund

Financial statements

for the period 8 March 2016 (date of registration) to 31 December 2016

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

12. Financial risk management objectives and policies (continued)

Financial instruments by category

At 31 December 2016

	Loans and receivables	Held to maturity	Total
Cash and cash equivalents	19,326	-	19,326
Treasury bills	-	1,055,741	1,055,741
Contributions and other receivables	44,326	-	44,326
	<u>63,652</u>	<u>1,055,741</u>	<u>1,119,393</u>

13. Fair value of financial assets and liabilities

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amounts of contributions receivable and cash and cash equivalents approximate their fair values. The fair value of financial assets at amortised cost at the reporting date amounts to GH¢ 1,059,844.

14. Capital risk management

The capital of the Fund is represented by the net assets available to members. The amount of net assets available to member can change significantly on a monthly basis, as the Fund is subject to monthly contributions and redemptions at the discretion of the Trustees. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide settlement for members and maintain a strong capital base to support the development of the investment activities of the Fund. In order to maintain or adjust the capital structure, the Fund's policy is to monitor the level of monthly contributions and redemptions relative to the assets it expects to be able to liquidate.

The Trustees monitor capital on the basis of the value of net assets attributable to members.

15. Commitments and contingencies

There were no outstanding commitments or contingencies as at 31 December 2016.

16. Events after the reporting period

It is envisaged that the COVID 19 pandemic will most likely have an impact on the economy of Ghana. The Trustees have however assessed the impact of the pandemic on the Fund to be immaterial.

The Trustees are not aware of any other material events that have occurred between the date of the statement of net assets available to members and the date the financial statements are approved.