

SETTLEMENT GUARANTEE FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Settlement Guarantee Fund
Annual report
for the year ended 31 December 2018

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Settlement Guarantee Fund
Annual report
for the year ended 31 December 2018

CORPORATE INFORMATION

Board of Trustees

Melvina A.A. Amoafa - 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

REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended 31 December 2018.

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 Guarantee 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 their responsibility to the Fund is established by the Guidelines on the Settlement Guarantee Fund approved by the Securities and Exchange Commission. The guidelines are subject to Act 733 which forms the basis of establishing the Fund.

Membership statistics

	Members
At 1 January 2018	73
Joiners	-
Withdrawals	<u>(11)</u>
At 31 December 2018	<u>62</u>

Investment report

The Board of Trustees submit the investment report of the Settlement Guarantee Fund for the year ended 31 December 2018.

(i) Statement of Investment Principles

We, the Board of Trustees attest that Fund 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 2018.

	Average interest rate %	Closing interest rate %	Investment income earned GH¢	2018 Year end Value of investment GH¢
Government securities	<u>13.98</u>	<u>14.8</u>	<u>188,026</u>	<u>1,500,308</u>

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 year of GH¢207,513 (2017: GH¢238,133). The statement of net assets available to members on page 8 shows the Fund's net assets as at 31 December 2018 of GH¢1,565,039 (2017: GH¢1,357,526).

(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:

	2018 GH¢	2017 GH¢
Audit fees	<u>12,123</u>	<u>12,123</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 interests accrued from investments of the Fund to be apportioned to the contributors of the Fund 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 control 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 was 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. AMOATO**

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 2018, and of its financial performance and its cash flows for the year 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 year ended 31 December 2018.

The financial statements comprise:

- the statement of net assets available to members as at 31 December 2018;
- the statement of income and expenses for the year then ended;
- the statement of changes in members funds for the year then ended;
- the statement of cash flows for the year 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 internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees;

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

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

- 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
- 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 year ended 31 December 2018

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

	Note	<u>Year ended 31 December</u>	
		2018	2017
Dealings with members:			
Contributions	9	<u>19,487</u>	<u>54,576</u>
Net additions from dealings with members		<u>19,487</u>	<u>54,576</u>
Returns on investments:			
Investment Income	4	<u>188,026</u>	<u>183,557</u>
Net investment income		<u>188,026</u>	<u>183,557</u>
Administrative expenses	5	<u>-</u>	<u>-</u>
Net income for the year		<u>207,513</u>	<u>238,133</u>


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

Settlement Guarantee Fund
 Financial statements
 for the year ended 31 December 2018

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

		At 31 December	
	Note	2018	2017
Assets			
Cash and cash equivalents	6	53,397	4,152
Contributions receivable	7	11,334	14,834
Financial assets at amortised cost	8	<u>1,500,308</u>	<u>1,338,540</u>
		<u>1,565,039</u>	<u>1,357,526</u>
Total assets			
Represented by:			
Members funds		<u>1,565,039</u>	<u>1,357,526</u>

The financial statements on pages 7 to 23 were approved for issue by the Trustees on
 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 year ended 31 December 2018

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

	<u>Year ended 31 December</u>	
	2018	2017
Net assets available to members		
Balance at start of the year	1,357,526	1,119,393
Increase in the year	<u>207,513</u>	<u>238,133</u>
Balance at end of the year	<u>1,565,039</u>	<u>1,357,526</u>

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

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2018

STATEMENT OF CASH FLOWS
(All amounts are in Ghana cedis)

		Year ended 31 December	
	Note	2018	2017
Cash flows from operating activities			
Contribution from members			
Decrease in contribution receivable	9	19,487	54,576
		<u>3,500</u>	<u>29,492</u>
Net cash from operating activities		<u>22,987</u>	<u>84,068</u>
Cash flows from investing activities			
Purchase of financial assets	8	(2,736,542)	(2,312,042)
Proceeds from maturities of financial assets	8	<u>2,762,800</u>	<u>2,212,800</u>
Net cash generated from/(used in) investing activities		<u>26,258</u>	<u>(99,242)</u>
Increase/(decrease) in cash and cash equivalents		<u>49,245</u>	<u>(15,174)</u>
Movement in cash and cash equivalents			
At start of the year			
Increase/(decrease) in cash and cash equivalents	6	4,152	19,326
		<u>49,245</u>	<u>(15,174)</u>
At end of the year	6	<u>53,397</u>	<u>4,152</u>

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

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2018

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 31 December 2018, the number of members of the Fund was sixty-two.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(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, 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.

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

IFRS 9 – Financial Instruments

The Fund has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Fund did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Fund elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening net assets available for settlement and of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Fund's financial statements.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Financial assets	Measurement category		Carrying amount	Carrying amount
	IAS 39	IFRS 9	IAS 39 GH¢	IFRS 9 GH¢
Government securities	Held to maturity	Hold to collect	1,338,540	1,338,540
Contributions receivable	Loans and receivable	Hold to collect	14,834	14,834
Cash and cash equivalent	Loans and receivable	Hold to collect	4,152	4,152

There were no changes to the classification of financial liabilities.

There was no opening impairment loss allowance from IAS 39 to IFRS 9.

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2018

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(b) Changes in accounting policy and disclosures (continued)

i) New and amended standards adopted by the Fund (continued)

IFRS 15 - Revenue from contracts with customers

The Fund's adoption of IFRS 15 Revenue from Contracts with Customers from 1 January 2018 did not have any significant impact on accounting policies, measurement and disclosures of contribution and investment incomes of the current and prior periods.

ii) New and amended standards not yet adopted by the Fund

A number of new standards and amendments to standards are issued but not yet effective for the year ended 31 December 2018 and none of them are relevant to the Fund.

- *IFRS 16 Leases*
- *Amendments to IFRS 2 - Share Based Payment - Classification and measurement of share-based payment transactions*

(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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset.

At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability.

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Initial recognition and measurement (continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Fund recognises the difference as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the differences are deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Classification and subsequent measurement

Financial assets

From 1 January 2018, the Fund applied IFRS 9 and classified its financial assets at amortised cost.

The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows.

The Fund classifies its financial assets at amortised cost only if the asset is held within a business model whose objective is to collect the contractual cash flows, and the contractual terms give rise to cash flows that are solely payments of principal and interest.

The business model reflects how the Fund manages the assets in order to generate cash flows. Factors considered by the Fund in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to the Board of Trustees, and how risks are assessed and managed.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

Impairment

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Fund uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Fund's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Financial liabilities

The Fund's holding in financial liabilities represents mainly administrative expenses payable to the auditor. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

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

Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the net assets available to members when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Accounting policies applied until 31 December 2017

The Fund has applied IFRS 9 prospectively and has not restated the comparative information. The comparative information provided continues to be accounted for in accordance with the Fund's previous accounting policy.

In the prior year, financial instruments were classified and measured as follows:

- Held to maturity;
- Loans and receivables; and
- Financial liabilities at amortised cost.

Held-to-maturity

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

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

These were 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 was included in the statement of income and expenses and reported as 'interest income'. In the case of an impairment, the impairment loss was reported as a deduction from the carrying value of the investment and recognised in the statement of income and expenses as 'net gains/(losses) on investments. Held-to-maturity investments were government securities.

Loans and receivables

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

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

The Fund's loans and receivables comprised cash and cash equivalents and contributions receivable.

Loans and receivables were 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 were reported in the statement of net assets available to members as contributions receivable or as cash and cash equivalent. In the case of an impairment, the impairment loss was reported as a deduction from the carrying value of the loan and recognised in profit and loss as 'impairment charges'.

Settlement Guarantee Fund

Financial statements

for the year ended 31 December 2018

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Accounting policies applied until 31 December 2017 (continued)

Impairment of financial assets

Financial assets carried at amortised cost

The Fund assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was 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) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Evidence of impairment could include indications that the debtors or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments and where observable data indicate that there was 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 used to determine whether there is objective evidence of an impairment loss included:

- 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 was determined by management for each identified portfolio.

The Fund first assessed whether objective evidence of impairment existed individually for financial assets that were individually significant, and individually or collectively for financial assets that were not individually significant. If the Fund determined that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss was or continued to be recognised were not included in a collective assessment of impairment.

For loans and receivable category the amount of the loss was 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 was reduced through the use of an allowance account and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract.

Settlement Guarantee Fund

Financial statements

for the year ended 31 December 2018

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

f) Financial assets and liabilities (continued)

Accounting policies applied until 31 December 2017 (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

For the purposes of a collective evaluation of impairment, financial assets were 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 were 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.

Future cash flows in a group of financial assets that were collectively evaluated for impairment were 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 was 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 was based and to remove the effects of conditions in the historical period that no longer existed.

Estimates of changes in future cash flows for groups of assets had to 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 were reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

If, in a subsequent period, the amount of impairment loss decreased and the decrease could 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 was reversed by adjusting the allowance account. The amount of the reversal was recognised in profit or loss in impairment charge for credit losses.

Financial liabilities at amortised cost

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

The Fund derecognised a financial liability when its contractual obligations were discharged or cancelled or expired.

(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.

Settlement Guarantee Fund

Financial statements

for the year ended 31 December 2018

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(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 hold to collect, 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 hold to collect and sell. 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

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NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

	2018	2017
4. Investment income		
Interest income earned on treasury bills and bonds	<u>188,026</u>	<u>183,557</u>
5. Administrative expenses		
All Expenses of the Fund are charged to the Administrator of the Fund. Fees paid by the Administrator on behalf of the Fund for the year ended 31 December 2018 are audit fees of GH¢ 12,123 (2016: GH 12,123).		
6. Cash and cash equivalents	2018	2017
Cash at bank	<u>53,397</u>	<u>4,152</u>
7. Contributions receivable		
Outstanding from depository participants	<u>11,334</u>	<u>14,834</u>
All contributions outstanding are current.		
8. Financial assets at amortised cost		
Treasury bill maturing after 91 days of purchase	1,500,308	1,338,540
Treasury bill maturing within 91 days of purchase	<u>-</u>	<u>-</u>
	<u>1,500,308</u>	<u>1,338,540</u>
The movement in financial assets is as follows:		
At start of the year	1,338,540	1,055,741
Purchases at cost	2,736,542	2,312,042
Redeemed upon maturity	(2,762,800)	(2,212,800)
Interest income	<u>188,026</u>	<u>183,557</u>
At end of the year	<u>1,500,308</u>	<u>1,338,540</u>

Settlement Guarantee Fund

Financial statements

for the year ended 31 December 2018

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:

	2018	2017
Contributions received	19,487	54,576
Contributions receivable	-	-
	<u>19,487</u>	<u>54,576</u>

10. Related party transactions

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

There were no transactions carried out with related parties during the year (2017: nil).

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

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 fixed rate interest investments. The Fund has no interest-bearing liabilities.

At 31 December 2018, an increase/decrease in interest rates of 1% with all other variables held constant would have resulted in a decrease/increase in the increase in net assets available for settlement of GH¢11,133 (2017: GH¢9,189) arising substantially from cash flows on these investment securities.

Settlement Guarantee Fund
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NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

12. Financial risk management objectives and policies (continued)

Market risk (continued)

Price risk

The exposure to equity securities price risk arises from investments held by the Fund as 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.

	2018	2017
Cash and cash equivalents	53,397	4,152
Treasury bills	1,500,308	1,338,540
Contributions receivable	<u>11,334</u>	<u>14,834</u>
	<u>1,565,039</u>	<u>1,357,526</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 benefit payments.

Financial instruments by category

	Hold to collect
At 31 December 2018	
Financial assets at amortised cost	1,500,308
Contributions receivable	11,334
Cash and cash equivalents	<u>53,397</u>
	<u>1,565,039</u>

	Loans and receivables	Held to maturity	Total
At 31 December 2017			
Financial assets at amortised cost	-	1,338,540	1,338,540
Contributions receivable	14,834	-	14,834
Cash and cash equivalents	<u>4,152</u>	<u>-</u>	<u>4,152</u>
	<u>18,986</u>	<u>1,338,540</u>	<u>1,357,526</u>

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

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. Contributions due are non-interest bearing and are current. The fair value of financial assets at amortised cost at the reporting date amounts to GH¢1,499,437 (2017: GH¢1,341,982).

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 members 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 2018 (2017: nil).

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.