

SETTLEMENT GUARANTEE FUND

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Settlement Guarantee Fund
Annual report
for the year ended 31 December 2022

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Settlement Guarantee Fund
Annual report
for the year ended 31 December 2022

CORPORATE INFORMATION

Board of Trustees

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

Administrator

Central Securities Depository (GH) Limited
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 2022.

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 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 2022	
Joiners	74
Withdrawals	1
	—
At 31 December 2022	<u>75</u>

Investment report

The Board of Trustees submit the investment report of the Settlement Guarantee Fund for the year ended 31 December 2022.

(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 and bonds.

The table below shows the Fund's investment portfolio statistics as at 31 December 2022.

	Average interest rate %	Closing interest rate %	Investment income earned GH¢	Year end Value of investment GH¢
Government securities	<u>30.94</u>	<u>32.61</u>	<u>1,022,418</u>	<u>4,661,053</u>

REPORT OF THE TRUSTEES (continued)

(ii) Financial results

The statement of changes in members funds as presented on page 9 shows an increase in the net assets of the Fund for the year by GH¢749,345 (2021: GH¢570,258). The statement of net assets available to members on page 8 shows the Fund's net assets as at 31 December 2022 of GH¢4,690,601 (2021: GH¢3,941,256).

(iii) Expenses

All expenses of the Fund are charged to the Administrator of the Fund. Details of fee payable by the Administrator on behalf of the Fund is as follows:

	2022 GH¢	2021 GH¢
Audit fees	<u>30,990</u>	<u>20,505</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 DUGBARTY HARNER**

Signature: 

Name of Trustee: **MELVINA ANIDAFI**

Signature: 

13 June 2023

**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 2022, 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 2022.

The financial statements comprise:

- the statement of net assets available to members as at 31 December 2022;
- 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 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, actions taken to eliminate threats or safeguards applied.

The engagement leader on the audit resulting in this independent auditor's report is Destiny Selorm Attatsitsey (ICAG/P/1619).

Price Waterhouse Coopers

PricewaterhouseCoopers (ICAG/F/2023/028)
Chartered Accountants
Accra, Ghana
15 June 2023



Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2022

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

		<u>Year ended 31 December</u>	
	Note	2022	2021
Dealings with members:			
Contributions	10	<u>19,706</u>	<u>67,881</u>
Net additions from dealings with members		<u>19,706</u>	<u>67,881</u>
Returns on investments:			
Investment income	4	<u>1,022,418</u>	<u>502,377</u>
Net investment income		<u>1,022,418</u>	<u>502,377</u>
Impairment charge	5	<u>(292,779)</u>	<u>-</u>
Net income for the year		<u>749,345</u>	<u>570,258</u>

The notes on pages 11 to 21 are an integral part of these financial statements.

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2022

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

		At 31 December	
	Note	2022	2021
Assets			
Cash and cash equivalents	6	17,048	57,508
Contribution receivable	7	25,000	25,000
Investments securities	8	<u>4,661,053</u>	<u>3,871,248</u>
Total assets		<u>4,703,101</u>	<u>3,953,756</u>
Current liabilities			
Accounts payable	9	<u>12,500</u>	<u>12,500</u>
Total current liabilities		<u>12,500</u>	<u>12,500</u>
Net assets available to members		<u>4,690,601</u>	<u>3,941,256</u>
Represented by:			
Members funds		<u>4,690,601</u>	<u>3,941,256</u>

The financial statements on pages 7 to 21 were approved for issue by the Trustees on ¹³ June 2023 and signed on their behalf by:



Trustee



Trustee

The notes on pages 11 to 21 are an integral part of these financial statements.

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2022

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

	<u>Year ended 31 December</u>	
	2022	2021
Net assets available to the members		
Balance at start of the year	3,941,256	3,370,998
Increase in the year	<u>749,345</u>	<u>570,258</u>
Balance at end of year	<u>4,690,601</u>	<u>3,941,256</u>

The notes on pages 11 to 21 are an integral part of these financial statements.

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2022

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

		<u>Year ended 31 December</u>	
	Note	2022	2021
Cash flows from operating activities			
Contribution from members	10	<u>19,706</u>	<u>67,881</u>
Net cash generated from operating activities		<u>19,706</u>	<u>67,881</u>
Cash flows from investing activities			
Purchase of investment securities	8	<u>(6,290,416)</u>	<u>(5,393,522)</u>
Proceeds from maturities of investment securities	8	<u>6,230,250</u>	<u>5,379,250</u>
Net cash used in investing activities		<u>(60,166)</u>	<u>(14,272)</u>
(Decrease)/increase in cash and cash equivalents		<u>(40,460)</u>	<u>53,609</u>
Movement in cash and cash equivalents			
At start of year	6	<u>57,508</u>	<u>3,899</u>
(Decrease)/increase in cash and cash equivalents		<u>(40,460)</u>	<u>53,609</u>
At end of year	6	<u>17,048</u>	<u>57,508</u>

The notes on pages 11 to 21 are an integral part of these financial statements.

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2022

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 2022, the number of members of the Fund was seventy-five.

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, 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.

(b) Changes in accounting policy and disclosures

i) New and amended standards adopted by the Fund

The Fund has applied the following standards and interpretations for the first time to financial reporting periods commencing on or after 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Annual Improvements to IFRS Standards 2018–2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods..

NOTES (continued)

2. Summary of significant accounting policies (continued)

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Fund. These standards are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future 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.

(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.

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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Classification and subsequent measurement

Financial assets

The Fund applies IFRS 9 and classifies 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, 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.

Financial liabilities

The Fund's holding in financial liabilities represents mainly advance payment of contribution. 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 these assets 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.

NOTES (continued)

2. Summary of significant accounting policies (continued)

(f) Financial assets and liabilities (continued)

Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the net assets available for settlement 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.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined using valuation techniques.

(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.

NOTES (continued)

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 Fund's accounting policy on fair value measurements is discussed in Note 2.f.

4. Investment income

	2022	2021
Interest income earned on treasury bills	<u>1,022,418</u>	<u>502,377</u>

5. Impairment on financial assets

Impairment charge	<u>292,779</u>	<u>-</u>
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6. Cash and cash equivalents

Cash at bank	<u>17,048</u>	<u>57,508</u>
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7. Contribution receivable

Outstanding contributions from depository participants	<u>25,000</u>	<u>25,000</u>
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All contributions outstanding are current.

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2022

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

8. Investment securities

Treasury bill maturing after 91 days of purchase 4,953,832 3,871,248

The movement in financial assets is as follows:

At start of year	3,871,248	3,354,599
Purchases at cost	6,290,416	5,393,522
Redeemed upon maturity	(6,230,250)	(5,379,250)
Interest income	1,022,418	502,377
Impairment allowance	<u>(292,779)</u>	<u>-</u>

At end of year	<u>4,661,053</u>	<u>3,871,248</u>
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Impairment allowance

At start of the year	-	-
Impairment charge	<u>292,779</u>	<u>-</u>

At end of year	<u>292,779</u>	<u>-</u>
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9. Accounts payable

Advance payment of contributions	<u>12,500</u>	<u>12,500</u>
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Accounts payable are current.

10. 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:

	2022	2021
Contributions received	<u>19,706</u>	<u>67,881</u>

11. Related party transactions

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

All expenses of the Fund are charged to Central Securities Depository (GH) Limited the administrator of the Fund. Fees payable by the Administrator on behalf of the Fund for the year ended 31 December 2022 is audit fees of GH¢30,990 (2021: GH¢20,505).

No transaction was carried out with Central Securities Depository (GH) Limited during the year (2021: Nil).

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

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

12. Income taxes

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

13. 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.

Market risk

Interest rate risk

The Fund's investments in bank deposits and fixed rate government bills and 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 2022, 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¢ 49,538 (2021: GH¢38,712) 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 and treasury bills. Financial assets exposed to credit risk are as follows:

	2022	2021
Cash and cash equivalents	17,048	57,508
Treasury bills	4,661,053	3,871,248
Contributions receivable	25,000	25,000
	<u>4,703,101</u>	<u>3,953,756</u>

The Scheme adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

13. Financial risk management objectives and policies (continued)

Credit risk (continued)

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The stages of the Scheme's financial instruments are as follows:

	Stage 1	Stage 2	Total
At 31 December 2022			
Cash and cash equivalents	17,048	-	17,048
Treasury bills	-	4,953,832	4,953,832
Contributions receivable	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Gross carrying amount	42,048	4,953,832	4,995,880
Loss allowance	<u>-</u>	<u>(292,779)</u>	<u>(292,779)</u>
Carrying amount	<u>42,048</u>	<u>4,661,053</u>	<u>4,703,101</u>
 At 31 December 2021			
Cash and cash equivalents	57,508	-	57,508
Treasury bills	3,871,248	-	3,871,248
Contributions receivable	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Gross carrying amount	3,953,756	-	3,953,756
Loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>3,953,756</u>	<u>-</u>	<u>3,953,756</u>

Settlement Guarantee Fund
Financial statements
for the year ended 31 December 2022

NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

13. Financial risk management objectives and policies (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated settlement payments. Financial liabilities are due no later than one year.

	Up to 3month	Up to 1year	Over 1year	Total
As at 31 December 2022				
<i>Financial liabilities</i>				
Accounts payables	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
<i>Financial asset</i>				
Cash and cash equivalents	17,048	-	-	17,048
Treasury bills	-	4,953,832	-	4,953,832
Contributions and other receivable	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total	<u>17,048</u>	<u>4,953,832</u>	<u>25,000</u>	<u>4,995,880</u>
Liquidity Gap	<u>4,548</u>	<u>4,953,832</u>	<u>25,000</u>	<u>4,983,380</u>
As at 31 December 2021				
<i>Financial liabilities</i>				
Accounts payables	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
<i>Financial asset</i>				
Cash and cash equivalents	57,508	-	-	57,508
Treasury bills	-	3,871,248	-	3,871,248
Contributions and other receivable	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total	<u>57,508</u>	<u>3,871,248</u>	<u>25,000</u>	<u>3,953,756</u>
Liquidity Gap	<u>45,008</u>	<u>3,871,248</u>	<u>25,000</u>	<u>3,941,256</u>

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NOTES (continued)

(All amounts are in Ghana cedis unless otherwise stated)

13. Financial risk management objectives and policies (continued)

Fair value

Financial assets

All financial assets of the Fund are classified as hold to collect and measured at amortised cost and their carrying amounts aggregate GH¢4,703,101 (2021: GH¢3,953,756). Their carrying amount approximate their fair value due to their short term nature.

At 31 December 2022

**Financial assets at
amortised cost**

Financial assets at amortised cost	4,661,053
Contributions receivable	25,000
Cash and cash equivalents	<u>17,048</u>
	<u>4,703,101</u>

At 31 December 2021

Financial assets at amortised cost	3,871,248
Contributions receivable	25,000
Cash and cash equivalents	<u>57,508</u>
	<u>3,953,756</u>

Financial liabilities

Financial liabilities (account payable) is classified as financial liability at amortised cost and its' carrying amounts total GH¢12,500 (2021: GH¢12,500). Their carrying amounts approximate their fair value due to their short-term nature.

14. Capital risk management

The capital of the Fund is represented by the net assets available for settlement. The amount of net assets available for settlement 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.

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NOTES (continued)
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15. Commitments and contingencies

There were no outstanding commitments or contingencies as at 31 December 2022.

16. Events after reporting period

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