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2017 ANNUAL REPORT



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NOTICE OF 4th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that, the 4th Annual General Meeting of UMB Balanced Fund Limited will be held on Wednesday, 18th July, 2018 at 10.00 a.m. at Coconut Grove Hotel, close to Ghana Immigration Head office, Accra to transact the following businesses:

AGENDA

Ordinary business

1. To receive and consider for adoption the report of the Fund Manager as at December 2017.
2. To receive and consider for adoption, the reports of the Directors and Auditors, and the financial statements for the year ended 31st December, 2017.
3. To authorize the Directors to appoint and fix the fees of the Auditors for the 2018 financial year.

Dated this 26th June, 2017.

By Order of the Board,

A handwritten signature in black ink, appearing to be 'B. Afari', written over a light blue circular stamp.

BRENDA SEMEVO AFARI (MRS)

COMPANY SECRETARY

Notes:

1. A member entitled to attend and vote at the Annual General Meeting may appoint a Proxy to attend and vote on his/her behalf. Such a Proxy need not be a Member of the Company.
2. A copy of the instrument appointing a Proxy may be deposited at #57 Dr. Isert Street, North Ridge or at the meeting venue at any time before the meeting.

CORPORATE INFORMATION

| | |
|---------------------------|---|
| BOARD OF DIRECTORS | Mr. Felix Kwaku Appiakorang Date Mr. Ernest Pascal Gemadzie Mrs. Nelly Naki Gome Abotchie |
| REGISTERED OFFICE | No. 57 Dr. Isert Street North Ridge Accra |
| SECRETARY | Brenda S. Afari (Mrs.) SSNIT Emporium Airport City Accra |
| AUDITOR | KPMG Chartered Accountants 13 Yiyiwa Drive, Abelenkpe P. O. Box 242 Accra |
| BANKER | Universal Merchant Bank Limited |
| CUSTODIAN | Stanbic Bank Limited |

CHAIRMAN'S STATEMENT TO SHAREHOLDERS

Introduction

I am pleased to welcome you to the 4th Annual General Meeting of UMB Balanced Fund Limited (the "Fund"). On behalf of the Board of Directors and Managers of the Fund, I would like to express our profound gratitude to you our valued Shareholders for the confidence you have placed in the Fund throughout 2017.

The Fund closed the year with a return of 29.14%, which is comparatively better than the 17.09% recorded in 2016, and the 15% yield on the 1-Year Note. The money market yield curve normalized in 2017, as longer term securities posted higher rates than shorter dated instruments. Yields on money market securities were mostly lower in 2017, compared to rates recorded in 2016. In this report, I will give you the performance of Ghana's Economy in 2017, and Board changes, followed by our outlook for 2018.

Performance of Ghana's Economy in 2017

The Ghanaian economy recorded GDP growth of 8.5% in 2017 compared to a target of 7.9% set for the same period. This feat was mainly achieved by significant increase in oil and gas production as well as improvements in foreign direct investments, making Ghana the second fastest growing economy in the world.

The Monetary Policy Rate also took a southward trend from 25.5% in January 2017 and closed the year at 20%. As a result, Government of Ghana treasury rates also tumbled significantly causing the 91 day Treasury rate to close the year at 14.08% from a rate of 22.16% as at December 2016.

Inflation rate also assumed a downward trend ending the year at 11.8% compared to the 15.4% recorded in December 2016. The drop in inflation was mainly attributed to the slower pace in fuel price adjustments in the period under review.

In contrast, the stock market took a northward trend closing the year at a year-to-date return of 52.73% compared to -15.33% recorded in December 2016. I am happy to announce that your Fund Manager took advantage of happenings within the stock market resulting in the 29.14% growth rate.

The cedi's performance on the currency market was relatively better in 2017 compared to figures recorded in 2016. The cedi depreciated by 4.88% as at December 2017, compared to 9.64% recorded in December 2016. The improved performance of the cedi relative to the major trading currencies can be attributed to improvement in the balance of payment position, significant increase in foreign direct investments, as well as Government's policy to restrict mining companies from repatriating their earnings out of Ghana, among others.

It is refreshing to note that, in 2017, Ghana won its longstanding maritime dispute against the Ivory Coast in the International Tribunal of the Law of the Sea (ITLOS). This granted the country an additional territorial space of 80 square kilometers in its exploratory waters which is expected to boost its oil production and thereby petroleum revenue. Within the period under review, the credit rating agency, Fitch also revised Ghana's credit rating from negative to stable, even though the rating was maintained at B.

In the third quarter of 2017, GCB assumed selected assets and liabilities of UT Bank and Capital Bank following their collapse due to capital deficiencies, poor corporate governance, weak risk management systems and poor oversight responsibility by their Board of Directors. This was followed by a directive from the Bank of Ghana to increase the core capital requirement of commercial banks from GHS120m to GHS400m. The deadline for compliance is December 2018.

Outlook for 2018

The economy is forecast to record robust economic growth in 2018; per capita income is expected to increase steadily, generating demand for a range of services including investment products. Growth will chiefly be driven by expansionary economic policies, gradual increase in commodity prices especially oil, as well as a boost in oil and gas production. Renewed investor confidence on improving macroeconomic fundamentals and accommodative policies by Government and other parastatal agencies is expected to drive foreign direct investments, the effects of which should gradually filter into the investment banking industry. Following the ruling by ITLOS permitting Ghana to continue with oil exploration and drilling at Cape Three Points, the Government has entered into a petroleum agreement with ExxonMobil for drilling activities. A successful roll out of this agreement is expected to increase oil production, boost foreign exchange earnings and increase overall government revenue in 2018.

Conclusion

On behalf of the Board of Directors, I wish to thank our many Shareholders for the confidence you have reposed in us and your continued loyalty to us all these years. And to our Institutional and Pensions Fund Managers, we want to thank you all for investing in our Fund.

In 2018 and beyond, we remain committed to leveraging on mobile platforms such as mobile money and other electronic payment systems to provide convenience and options to you our valued Shareholders as well as growing your Fund to enhance value for Shareholders.

I would implore my fellow Directors and Shareholders to partner me in acknowledging the tireless efforts of the Fund Manager.

God Richly Bless us all!

Board Chairman

REPORT OF THE DIRECTORS

TO MEMBERS OF UMB BALANCED FUND LIMITED

The Directors present their report and the financial statements of the Fund for the year ended 31 December 2017.

Directors' Responsibility Statement

The Directors are responsible for the preparation of financial statements that give a true and fair view of UMB Balanced Fund Limited (formerly Merban Fund Limited), comprising the statement of financial position at 31 December 2017, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), the Securities and Exchange Commission Regulations, 2003 (LI 1728), the Securities Industry Act, 2016 (Act 929) and the Unit Trust and Mutual Fund Regulations, 2001 (L.I. 1695). In addition, the Directors are responsible for the preparation of the Directors' report.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Fund to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Financial statements

The financial results of the Fund for the year ended 31 December 2017 is set out in the accompanying financial statements.

The Directors consider the state of the Fund's affairs to be satisfactory.

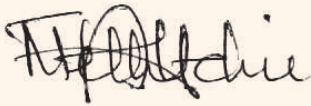
Nature of business

The Company is registered to carry on the business of mobilising funds for investment in money market instruments, listed equities, and other regulated financial instruments, with the possibility of high earnings. There was no change in the nature of business of the company during the year.

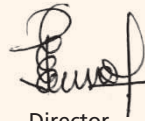
REPORT OF THE DIRECTORS TO THE MEMBERS OF UMB BALANCED FUND LIMITED - cont'd

Approval of the financial statements

The financial statements of UMB Balanced Fund Limited (formally Merban Fund Limited), as identified in the first paragraph, were approved by the Board of Directors on 29th March, 2018 and signed on their behalf by:

A handwritten signature in black ink, appearing to be "A. P. ...".

Director

A handwritten signature in black ink, appearing to be "S. ...".

Director

INDEPENDENT AUDITOR'S REPORT

TO MEMBERS OF UMB BALANCED FUND LIMITED

Report on the Financial Statements

Opinion

We have audited the financial statements of UMB Balanced Fund Limited (formally Merban Fund Limited) ("the Company"), which comprise the statement of financial position at 31 December 2017, and the statements comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 27.

In our opinion, these financial statements give a true and fair view of the financial position of UMB Balanced Fund Limited (formally Merban Fund Limited) at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 1963 (Act 179), the Securities and Exchange Commission Regulations, 2003 (LI 1728), the Securities Industries Act, 2016 (Act 929) and the Unit Trust and Mutual Fund Regulations, 2001 (L.I. 1695).

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Ghana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UMB BALANCED FUND LIMITED - cont'd

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>Revenue (GHS 436,779)</p> <p>Refer to Note 7 to the financial statements</p> | |
| <p>Revenue consists of interest on placement of GHS 435,387 and interest on government securities of GHS 1,392.</p> <p>Interest on placement earned is based on parameters inputted into the entity's processing system and its accuracy is dependent on the completeness and accuracy of the inputs. Due to the volume of transactions, there is a risk that the wrong parameters may be entered into the system which would adversely impact the resultant revenue computed.</p> <p>Investment income is reliant on the completeness and accuracy of data inputted into spreadsheets for its computation.</p> <p>There is also a presumed risk that revenue may not be appropriately recognised.</p> | <p>Our principal audit procedures included:</p> <ul style="list-style-type: none"> • Agreeing the underlying data used in the computation of fees and commission and interest income to underlying documents. • Re-computing interest on investment, taking into consideration the principal amount, interest rate and tenor of the investments, to ensure its accuracy as well as the appropriateness of accounting treatment. • For investments that straddle over the twelve (12) months period, we assessed that the interest computed was for the period under review by reviewing the tenor dates as against the financial year end date. • Assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures. |

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and the Directors' Report as required by the Companies Act, 1963 (Act 179) but does not include the financial statements and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UMB BALANCED FUND LIMITED - cont'd

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179), and for such internal control as they determine what 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 Directors are responsible for assessing the Company'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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Company'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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UMB BALANCED FUND LIMITED - cont'd

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Directors' 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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UMB BALANCED FUND LIMITED - cont'd

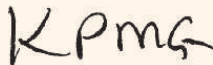
Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179)

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept and the statements of financial position and profit or loss and other comprehensive are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is **Frederick Nyan Dennis (ICAG/P/1426)**.

A handwritten signature in black ink that reads 'KPMG'.

.....
FOR AND ON BEHALF OF:

KPMG: (ICAG/F/2018/038)

CHARTERED ACCOUNTANTS

13 YIYIWA DRIVE, ABELENKPE

P O BOX GP 242

ACCRA

29th March, 2018

FUND MANAGER'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

What was the Global Economic Overview in 2017?

Ghana's economy was adjudged the second fastest growing economy in the world after Ethiopia, with a Gross Domestic Product (GDP) growth rate of 8.5% compared to its target of 7.9% in 2017. During the year, interest rates tumbled from an average rate of 22.16% in 2016 to 14.08% by end of December 2017. The Monetary Policy Rate (MPR) mirrored interest rates by falling 550 basis points from 25.5% in December 2016 to 20% by the end of December 2017. Inflation followed the same trend falling from 15.4% as at the end of December 2016 to 11.8% as at December 2017.

The stock market on the other hand, recorded a rather impressive performance in 2017. The GSE-CI recorded 52.73% year-to-date performance in 2017 compared to -15.33%, in the previous year. The Cedi also witnessed a slower pace of depreciation against the US Dollar in 2017 compared to the level of depreciation recorded in 2016.

Ladies and gentlemen, in 2017, Ghana won its longstanding maritime dispute against the Ivory Coast in the International Tribunal of the Law of the Sea (ITLOS). This granted the country an additional 80km squared in its exploratory waters which is expected to boost petroleum revenue and help stabilize the economy against currency shocks. Fitch, one of the world's credit rating agency also revised Ghana's credit rating from negative to stable, even though the rating was maintained at B.

In 2017, Ghana issued its first ever 15 year callable bond at 19.75% which was oversubscribed by 56%. Other issuances in the year included the ESLA 7 and 10 year bonds aimed at settling the Legacy debts owed by the energy sector to commercial banks. In the third quarter of 2017, GCB assumed selected assets and liabilities of UT Bank and Capital Bank following their collapse due to capital deficiencies. This was followed by the directive from the Bank of Ghana to increase the core capital requirement of commercial banks from GH\$120m to GH\$400m by December 2018.

How did the Fund Perform?

The Fund grew from GH\$1, 225,230 at the end of 2016 to GH\$4, 061,155 at the end of 2017. The number of issued shares also increased from 7,708,644 at the end of 2016 to 19,455,136 at the end of 2017. This increase was mainly due to significant contributions by corporate institutions which contributed to the 231% growth in Assets under Management.

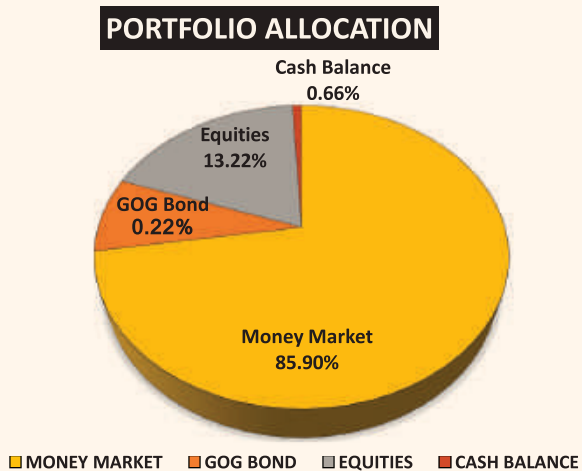
In line with the Fund's objective and strategy, investments were made across the financial market with money market placements dominating the Funds' portfolio. In light of the sustained improvement in the performance of the stock market in 2017, the Fund Manager restructured the portfolio by increasing holdings in equities, thus optimizing returns on the stock market. As a result, the Fund returned 29.14% for

FUND MANAGER'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2017 - cont'd

investors, which is comparatively better than the 17.09% recorded in 2016, and the 15% yield on the 1-Year Note. We will continue to invest in quality securities, backed by strong research and wide ranging considerations to ensure maximum shareholder value.

What was the Fund's Portfolio Allocation by the end of 2017?

The asset allocation of the Fund as at December 31, 2017 is represented below.



13% of the Fund's portfolio in equities is listed on the Ghana Stock Exchange with the remaining 87% invested in Fixed Income Securities in general. Fixed Deposits accounted for 85.90%, Government/Bank of Ghana bonds made up 0.22% and cash represented 0.66% of the portfolio.

What Should Shareholders expect in 2018?

Growth is expected to be moderate on the global front. According to The World Bank's January 2018 World Economic Outlook, the global economy is projected to grow by 3.1% in 2018, which is anticipated to be driven by the continued recovery in investment, manufacturing and trade. The report indicates that in advanced economies, growth is expected to moderate slightly to 2.2% in 2018, as central banks gradually remove their post-crisis accommodation coupled with the improvement in investments. Further, emerging markets and developing economies as a whole are

FUND MANAGER'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2017 - cont'd

projected to grow at 4.5% in 2018, as activity in commodity exporters continues to be boosted by increasing prices.

In Ghana, expansionary economic policies, upward adjustment of commodity prices on the international market, as well as further boost in oil and gas production with the coming on board of ExxonMobil are expected to facilitate economic growth in 2018 and beyond.

Successful implementation of the One-District-One-Factory program; the Youth in Entrepreneurship Program; the Nation Builders' Corps program and other initiatives is expected to help improve the unemployment situation and thus increase disposable income steadily. This would generate demand for a range of services including investment products.

Improved investor confidence as a result of improving macroeconomic fundamentals is expected to result in improvements in foreign direct investments in real and nominal terms, the effects of which should gradually transmit to key sectors of the economy including the investment banking industry.

The inflation outlook remains stable given the combination of the impact of the reduced electricity tariffs for both residential and non-residential users; the relative stability of the Cedi; the upward movements in crude prices and petroleum products.

The money market yield curve is expected to remain normalized in 2018. With the Government's agenda to reduce rates as reflected in the continuous cuts in the policy rates, money market rates are expected to remain lower than rates in 2017 with no significant changes anticipated. Events on the stock market during the first four months of 2018 was exciting as the sustained northward rally of the market indices spurred investor appetite, boosting demand and contributing to marked price increases. However, in the coming months prices of most equities are expected to decline on the back of selling pressure as investors seek to book profits.

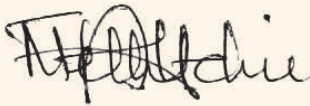
We will continue to consider opportunities that will achieve growth in income while conserving the principal investment of our cherished shareholders. Thank you for your investment in UMB Balanced Fund and we look forward to even more investments from you.

Fund Manager

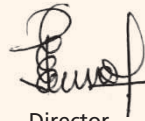
STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

| | Note | 2017 GH¢ | 2016 GH¢ |
|-------------------------------|------|------------------|------------------|
| Assets | | | |
| Cash at bank | 10 | 27,444 | 13,818 |
| Government securities | 11 | 8,892 | 107,952 |
| Fixed deposits | 12 | 3,488,538 | 971,965 |
| Investment in listed equities | 13 | 537,067 | 260,413 |
| Total assets | | 4,061,941 | 1,354,148 |
| Liabilities | | | |
| Accounts payables | 14 | 107,126 | 128,918 |
| Total liabilities | | 107,126 | 128,918 |
| Total net assets | | 3,954,815 | 1,225,230 |
| Equity | | | |
| Share capital | 15 | 3,057,658 | 783,032 |
| Retained earnings | 18 | 897,157 | 442,198 |
| Total equity | | 3,954,815 | 1,225,230 |



Director



Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

| | Note | 2017 GH¢ | 2016 GH¢ |
|---|------|------------------|-----------------|
| Interest income | 7 | 436,779 | 265,116 |
| Net gain from financial instruments at fair value through profit or loss | 9 | 136,813 | (45,017) |
| Dividend income | 19 | 17,165 | 20,510 |
| Total revenue | | 590,757 | 240,609 |
| Fund management fees | 16 | (53,618) | (31,928) |
| Auditors remuneration | | (11,900) | (10,350) |
| Custodian fees | | (8,150) | (4,853) |
| Other expenses | 8 | (55,395) | (4,971) |
| SEC Fees | | (5,362) | |
| Total operating expenses | | (134,425) | (52,102) |
| Increase in net assets attributable to holders of redeemable shares before tax | | 456,332 | 188,507 |
| Withholding tax expense | | (1,373) | (1,519) |
| Increase in net assets resulting from operations | | 454,959 | 186,988 |

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES FOR THE YEAR ENDED 31 DECEMBER 2017

| | Note | 2017 GH¢ | 2016 GH¢ |
|---|------|------------------|------------------|
| Balance at 1 January | | 1,225,230 | 1,120,169 |
| Increase in net assets attributable to holders of redeemable shares | | 454,959 | 186,988 |
| <i>Contributions and redemptions by holders of redeemable shares:</i> | | | |
| Issue of redeemable shares during the year | 15 | 2,562,131 | 36,695 |
| Redemption of redeemable shares during the year | 15 | (287,505) | (118,622) |
| Balance at 31 December | | 3,954,815 | 1,225,230 |

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

| | | 2017 | 2016 |
|---|-----------|------------------|-----------------|
| | | GH¢ | GH¢ |
| Cash flows from operating activities | | | |
| Interest received | 20(ii) | 210,167 | 168,727 |
| Dividend received | 19 | 17,055 | 20,510 |
| Operating expenses | 20(iv) | (1,263) | (1,519) |
| | | 225,959 | 187,718 |
| Changes in operating activities | | | |
| Government securities | 20(i) | 99,712 | 7,952 |
| Fixed deposits | 20(iii) | (888,433) | (134,653) |
| Accounts payable | 20(v) | (156,217) | (23) |
| Net cash from operating activities | | (718,979) | 60,994 |
| Cash flows from investing activities | | | |
| Purchase of long term investment | 9 | (139,841) | (6,820) |
| Proceed from disposal of investment | | - | - |
| Net Cash used in investing activities | | (139,841) | (6,820) |
| Cash flows from financing activities | | | |
| Proceeds from issue of redeemable shares | 15 | 2,562,131 | 36,695 |
| Payments on redemption of redeemable shares | 15 | (287,505) | (118,622) |
| Net cash (used in)/from financing activities | | 2,274,626 | (81,927) |
| Net decrease in cash and cash equivalents | | 1,415,806 | (27,753) |
| Cash and cash equivalents at 1 January | 21 | 13,818 | 41,571 |
| Cash and cash equivalents at 31 December | 21 | 1,429,624 | 13,818 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. General Information

UMB Balanced Fund Limited (formally Merban Fund Limited) is a limited liability Company incorporated and domiciled in Ghana. The principal activity of the Fund is to create a pool of funds and invest these funds in a range of securities.

The Fund is an open-ended mutual fund which is aimed at mobilising funds for investment in money market instruments, listed equities, and other regulated financial instruments, with the possibility of high earnings.

The investment activities of the Fund are managed and administered by UMB Investment Holdings Limited, the Fund Manager with Stanbic Bank Limited as the custodian of the Fund.

2. Basis of Preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Additional information required under the Companies Act, 1963 (Act 179), the Securities and Exchange Commission Regulations, 2003 (LI 1728), the Securities Industry Act 2016 (Act 929) and the Unit Trust and Mutual Fund Regulations, 2001 (L.I. 1695), have been included, where appropriate.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for available-for-sale financial assets which are measured at fair value.

2.3 Functional and presentation currency

The financial statements are presented in Ghana Cedis, which is the Fund's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of revision and future periods, if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are considered significant to the financial statements, are disclosed in Note 6.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Financial assets and liabilities

All financial assets and liabilities have been recognised in the statement of financial position and measured in accordance with their assigned category.

3.1.1 *Financial assets*

The Fund classifies its financial assets in the following categories: held to maturity, loans and receivables, fair value through profit or loss. The Fund determines the classification of its financial assets at initial recognition.

(a) Held-to-maturity

The Fund classifies investments in government securities and fixed deposits as held-to-maturity.

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Fund has the positive intent and ability to hold to maturity and which are not designated at fair value through profit or loss or available-for-sale.

Held to maturity assets are initially recognised at fair value plus incremental direct transaction costs, and subsequently measured at amortised cost using the effective interest method.

Any sale or reclassification of a significant amount of held to maturity asset not close to their maturity would result in the reclassification of all held to maturity assets as available-for-sale, and would prevent the Fund from classifying investment securities as held-to-maturity for the current and the following two financial years. Differences between the carrying amount (amortised cost) and the fair value on the date of the reclassification are recognised in other comprehensive income.

(b) Loans and receivables

The Fund classifies cash and bank as 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

- 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.

(c) Fair value through profit or loss (FVTPL)

The Fund classifies investments in equity as held for trading. A financial instrument is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition, it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking; or
- iii. it is a derivative, other than a designated and effective hedging instrument.

The Fund designates all debt and equity investments at FVTPL on initial recognition because it manages these securities on a fair value basis in accordance with its documented investment strategy.

(d) Recognition

The Fund uses trade date accounting for regular contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or re-pledge them.

3.1.2 Financial liabilities

Financial liabilities are held at amortised cost.

(a) Other liabilities measured at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category. They are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities measured at amortised cost include balances due to brokers, accrued expenses and other payables.

3.1.3 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

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 FX 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. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

3.1.4 Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from these assets expire or when the Fund transfers substantially all the risks and rewards of ownership. Financial liabilities are derecognised when contractual obligations are discharged, cancelled or expired.

3.1.5 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-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

3.1.6 *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 | Fair value through profit or loss | Investments in listed equities |
| | Held to maturity | Government securities and Fixed deposits |
| | Loans and receivables | Cash and Bank |
| Financial liabilities | Other financial liabilities | Accounts payable |

3.1.7 *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

3.1.8 *Impairment of financial assets*

A financial asset not classified at FVTPL is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

3.2 Interest

Interest income and expense, including interest income from non-derivative financial assets at FVTPL, are recognised in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market based repricing date to the net carrying amount of the financial instrument on initial recognition. Interest received or receivable, and interest paid or payable, are recognised in profit or loss as interest income and interest expense, respectively.

3.3 Dividend income and dividend expense

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend. Dividend income from equity securities designated as at FVTPL is recognised in profit or loss in a separate line item. The Fund incurs expenses on short positions in equity securities equal to the dividends due on these securities. Such dividend expense is recognised in profit or loss in net gain from financial instruments at FVTPL when the shareholders' right to receive payment is established.

3.4 Net gain from financial instruments at fair value through profit or loss

Net gain from financial instruments at FVTPL includes all realised and unrealised fair value changes, dividends paid on securities sold short and foreign exchange differences, but excludes interest and dividend income.

Net realised gain from financial instruments at FVTPL is calculated using the average cost method.

3.5 Fees and commission expenses

Fees and commission expenses are recognised in profit or loss as the related services are performed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

3.6 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with Banks and highly liquid financial assets with original maturities of three (3) months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost.

3.7 Tax

Under the current system of taxation in Ghana, the Fund is exempt from paying income taxes. However, dividend income received by the Fund is subject to withholding tax. During the year, the withholding tax rate applicable to dividend income was 8% (2016:8%). Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as tax expense.

3.8.1 Foreign currency

Transactions in foreign currencies are translated into the functional currency using the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gain from financial instruments at FVTPL.

3.9 New standards and interpretations not yet adopted

There is a new or revised accounting standard and interpretation in issue that is not yet effective. Following are the details on IFRS 9 and its interpretation that may have an impact on the financial statements:

3.9.1 IFRS 9 Financial Instruments

IFRS 9, published in July 2014, will replace the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on the initial assessment, this standard is not expected to have a material impact on the Fund.

4. Financial Risk Management

The Fund maintains positions in a variety of non-derivative financial instruments in accordance with its investment management strategy. The primary investment strategy of the Fund includes:

- Offer a well-diversified blend of securities to the Fund in such a way that the Fund's portfolio will be well cushioned to withstand any market volatility;
- Invest in high earning and carefully selected money market instruments;
- Invest in shares of high growth and strategic sectors of the economy and equity linked projects; and
- Periodically review and modify investments and investment strategies as market conditions change.

The Fund's investment portfolio comprises listed equities, fixed deposits and non-derivative financial instruments.

The Fund's investment manager has been given discretionary authority to manage the assets in line with the Fund's investment objectives. In instances where the portfolio has diverged from target asset allocations, the Fund's investment manager is obliged to take immediate actions to rebalance the portfolio in line with the established targets.

The risks arising from financial instruments to which the Fund is exposed are financial risks, which include credit risk, market risk and liquidity risk.

4.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from non-derivative financial instruments held by the Fund and cash and cash equivalents.

The Company is also exposed to other credit risks arising from investments in government securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

4.1.1 Concentration of credit risk

The investment manager reviews the credit concentration of debt securities held based on counterparties and industries.

As at the reporting date, the Fund's debt securities exposures were concentrated in the following industries.

| | 2017 | 2016 |
|--------------------------------|------------------|------------------|
| | GH¢ | GH¢ |
| <i>Financial institutions:</i> | | |
| Fixed deposits | 3,488,538 | 971,965 |
| Investment in listed equities | 537,067 | 260,413 |
| Bank balance | 27,444 | 13,818 |
| | 4,053,049 | 1,246,196 |
| <i>Government</i> | | |
| Government securities | 8,892 | 107,952 |
| | 8,892 | 107,952 |

4.2 Market risk

Market risk is the risk that changes in market prices – such as interest rates, foreign exchange rates, equity prices and credit spreads will affect the Company's income or the value of its holding of financial instruments. The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The primary investment objective of the Fund is to seek growth and create value for shareholders by investing in money market instruments, listed equities, and other regulated financial instruments. The Fund's market risk is managed on a daily basis by the Fund Manager in accordance with the policies and procedures in place. In managing market risk, the Fund Manager shall not engage in any hedging transactions or borrowing on behalf of the Fund for the purpose of acquiring securities or properties unless approved by the Board of Directors of the Fund. However, borrowing may be done for the purpose of ensuring liquidity, if the need arises. This may not be more than 10% of the total net assets of the Fund.

4.2.1 Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

- differences between the timing of market interest rate changes and the timing of cash flows (repricing risk);
- changes in the shape of market interest rate curves producing different effects on yields on similar instruments with different maturities (yield curve risk);
- changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics (basis risk); and
- interest-related options embedded in contracts with customers.

The Fund uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and liabilities that mature or reprice at various time periods in the future. The Fund may make judgmental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or repricing date.

The table below summarises the repricing profiles of the Fund's financial instruments and other assets and liabilities as at 31 December 2017. Items are allocated to time periods by reference to the earlier of the next contractual interest rate repricing and maturity dates.

At 31 December 2017

| | Up to 1mth | 1-3mths | 3-12mths | 1-5yrs | Total |
|-------------------------------|----------------|----------------|------------------|--------------|------------------|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Government securities | - | - | - | 8,892 | 8,892 |
| Fixed deposits | 189,738 | 798,475 | 2,500,325 | - | 3,488,538 |
| Total financial assets | 189,738 | 798,475 | 2,500,325 | 8,892 | 3,497,430 |
| Interest repricing gap | 189,738 | 798,475 | 2,500,325 | 8,892 | 3,497,430 |

At 31 December 2016

| | | | | | |
|-------------------------------|----------------|----------------|----------|----------|------------------|
| Government securities | - | 107,952 | - | - | 107,952 |
| Fixed deposits | 192,410 | 779,555 | - | - | 971,965 |
| Total financial assets | 192,410 | 887,507 | - | - | 1,079,917 |
| Interest repricing gap | 192,410 | 887,507 | - | - | 1,079,917 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

4.2.2 Currency risk

The Fund's currency risk is managed on a daily basis by the investment manager in accordance with the policies and procedures in place. At 31 December 2017, all assets and liabilities of the Fund were denominated in the presentation and functional currency therefore there is no currency mismatch.

4.2.3 Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

Price risk is managed by the investment manager by diversifying the portfolio. The Fund's policy for the concentration of its investment portfolio profile is as follows:

The Fund shall invest a minimum of 30% of its total assets in equity and equity securities of public companies traded on the Ghana Stock Exchange and other regulated stock exchanges in emerging markets if the Directors and the Custodian deem it right and in the interest of the Fund and with the approval of the Securities and Exchange Commission. However, the investment shall not exceed 10% of the Net Assets in a single Company at the time that such investment is made. The Fund shall also invest a minimum of 30% of its total assets in money market instruments and shall keep a minimum of 5% of its Fund value in cash or such other liquid security, as the Manager shall determine. This is to ensure that there is adequate liquidity to meet redemption requests at any point in time.

The portfolio of the Fund shall be composed of the following:

| Asset Class | Minimum | Maximum |
|--------------------------|---------|---------|
| Equities | 30% | 70% |
| Money Market Instruments | 30% | 70% |
| Cash/Near Cash | 5% | 10% |

4.2.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments, either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

The Fund's objective is to manage operational risk so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors. The primary responsibility for the development and implementation of controls over operational risk rests with the board of Directors. The Directors' assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers and a review of the service providers' operational reports on internal controls.

Substantially all of the assets of the Fund are held by Stanbic Bank Limited. The bankruptcy or insolvency of the Fund's Custodian may cause the Fund's rights with respect to the securities held by the Custodian to be limited. The Investment Manager monitors the credit ratings and capital adequacy of its Custodian on a regular basis.

4.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's policy and the investment manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund's financial assets include listed equity investments, which are generally liquid. In addition, the Fund holds investments in government security and fixed deposits from financial institutions. The Fund's investments in listed securities are considered to be readily realisable because they are traded on the Ghana Stock Exchange. The Fund's liquidity risk is managed on a daily basis by the Fund Manager in accordance with the policies and procedures in place. The Manager of the Fund will at all times maintain prudent levels of liquidity. The Fund, for liquidity purposes, will invest a maximum of 10% of its Net Assets in short term securities or near cash investments. Borrowing which are approved by the Board of Directors of the Fund may be done for the purpose of ensuring liquidity, if the need arises. This may not be more than 10% of the total net assets of the Fund.

4.3.1 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Company under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

| 2017 | Up to 1mth | 1-3mths | 3-12mths | 1-5years | Total |
|--|-----------------|-----------------|------------------|----------------|------------------|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Liabilities | | | | | |
| Account payables | (79,964) | (27,162) | - | - | (107,126) |
| Total liabilities | (79,964) | (27,162) | - | - | (107,126) |
| Assets | | | | | |
| Fixed deposits | 189,738 | 798,475 | 2,500,325 | - | 3,488,538 |
| Investments in listed equities | - | - | - | 537,067 | 537,067 |
| Government securities | - | - | - | 8,892 | 8,892 |
| Bank balances | 27,444 | - | - | - | 27,444 |
| Assets held for managing liquidity risk | 217,182 | 798,475 | 2,500,325 | 545,959 | 4,061,941 |
| Liquidity gap | 137,218 | 771,313 | 2,500,325 | 545,959 | 3,954,815 |

2016

| | | | | | |
|--|------------------|-----------------|----------|----------------|------------------|
| Liabilities | | | | | |
| Account payables | (108,767) | (20,151) | - | - | (128,918) |
| Total liabilities | (108,767) | (20,151) | - | - | (128,918) |
| Assets | | | | | |
| Fixed deposits | 192,410 | 779,555 | - | - | 971,965 |
| Investments in listed equities | - | - | - | 260,413 | 260,413 |
| Government securities | - | 107,952 | - | - | 107,952 |
| Bank balances | 13,818 | - | - | - | 13,818 |
| Assets held for managing liquidity risk | 206,228 | 887,507 | - | 260,413 | 1,354,148 |
| Liquidity gap | 97,461 | 867,356 | - | 260,413 | 1,225,230 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

4.4 Accounting classification and fair values of financial assets and liabilities

The table below shows the carrying amounts and fair values of financial assets and liabilities in the statement of financial position and their categories. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | Carrying value 2017 GH¢ | Carrying value 2016 GH¢ |
|---|-------------------------------|-------------------------------|
| <i>Financial assets measured at fair value</i> | | |
| Investment in listed equity securities-AFS | 537,067 | 260,413 |
| <i>Financial assets not measured at fair value</i> | | |
| Fixed deposits | 3,488,538 | 971,965 |
| Government securities | 8,892 | 107,952 |
| Bank balances | 27,444 | 13,818 |
| <i>Financial liabilities not measured at fair value</i> | | |
| Accounts and other payables | 107,126 | 128,918 |

Fair Value Hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices (adjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

| December 2017 | Level 1 | Level 2 | Level 3 | Total fair value | Total carrying amount |
|--------------------------------|----------------|---------|---------|------------------|-----------------------|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Assets | | | | | |
| Investments in listed equities | 537,067 | - | - | 537,067 | 537,067 |
| | 537,067 | - | - | 537,067 | 537,067 |

December 2016

| | | | | | |
|--------------------------------|----------------|---|---|----------------|----------------|
| Assets | | | | | |
| Investments in listed equities | 260,413 | - | - | 260,413 | 260,413 |
| | 260,413 | - | - | 260,413 | 260,413 |

5. Capital Management

At 31 December 2017, the Fund had GH¢3,057,658 (2016: GH¢783,032) of redeemable share capital classified as equity.

The Fund's objectives when managing capital, which is a broader concept than 'equity' on the face of balance sheet, are:

- To comply with the capital requirements set by the regulator;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to operate;
- To provide returns to shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support development of its business.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

The Fund's adjusted net debt to equity ratio at 31 December was as follows:

| | 2017 | 2016 |
|-------------------------------------|-----------|-----------|
| | GH¢ | GH¢ |
| Total liabilities | 107,126 | 128,918 |
| <i>Less:</i> Cash and bank balances | 27,444 | 13,818 |
| Net debt | 79,682 | 115,100 |
| Equity | 3,954,815 | 1,225,230 |
| Net debt to equity ratio | 2% | 9% |

6. Critical Accounting Estimates and Judgments

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

The Company 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 judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker price quotations.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Models are calibrated to ensure that outputs reflect actual data and comparative market prices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

7. Interest Income

| | 2017 | 2016 |
|-----------------------------------|----------------|----------------|
| | GH¢ | GH¢ |
| Interest on placements | 435,387 | 242,116 |
| Interest on government securities | 1,392 | 23,000 |
| | 436,779 | 265,116 |

8. Other Expenses

| | | |
|-------------------|---------------|--------------|
| Other Expenses | 53,108 | - |
| Vat on audit fees | 1,750 | 4,948 |
| Bank charges | 537 | 23 |
| | 55,395 | 4,971 |

9. Net Gain/Loss From Financial Instruments at Fair Value
Through Profit or Loss

| | 2017 | 2016 |
|--|----------------|-----------------|
| | GH¢ | GH¢ |
| Fair Value (loss)/gain on equity investment | | |
| Cost of Investment At 1 January | (331,414) | (324,594) |
| Additions | (139,841) | (6,820) |
| Disposals | - | - |
| Cost of Investment at 31 December | (471,255) | (331,414) |
| Fair Value of Investment | 537,067 | 260,413 |
| Fair Value (Loss)/gain | 65,812 | (71,001) |
| Recognised fair value (loss)/gain from prior year | 71,001 | 25,984 |
| Net gain from financial assets designated as fair value through profit or loss | 136,813 | (45,017) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

10. Bank Balances

| | 2017 | 2016 |
|--|---------------|---------------|
| | GH¢ | GH¢ |
| Deposits with Stanbic Bank | 640 | 11,154 |
| Deposit with Universal Merchant Bank Limited | 26,804 | 2,664 |
| | 27,444 | 13,818 |

11. Government Securities

| | | |
|------------------------|--------------|----------------|
| 182 days treasury bill | - | - |
| 2 Year Note | - | 100,000 |
| 3 year Note | 8,240 | - |
| Interest receivable | 652 | 7,952 |
| | 8,892 | 107,952 |

12. Fixed Deposit

| | | |
|------------------------|------------------|----------------|
| 182-days fixed deposit | 3,262,578 | 267,000 |
| 91-days fixed deposit | - | 471,629 |
| 1 year fixed deposit | - | 144,899 |
| Interest receivable | 225,960 | 88,437 |
| | 3,488,538 | 971,965 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

13. Long Term Investments

| Description | 2017 | | | 2016 | | |
|---------------------------------|------------------|---------------------|--------------|------------------|---------------------|--------------|
| | Number of Shares | Market Value GH¢ | % Net Assets | Number of Shares | Market Value GH¢ | % Net Assets |
| Banking | | | | | | |
| CAL Bank Limited | 37,100 | 40,068 | 1.01 | 37,100 | 27,825 | 2.27 |
| Ecobank Ghana Limited | 16,300 | 123,880 | 3.14 | 6,400 | 40,960 | 3.35 |
| GCB Bank Limited | 25,500 | 128,775 | 3.26 | 12,400 | 44,144 | 3.98 |
| Standard Chartered Bank Limited | 4,000 | 101,000 | 2.56 | 4,000 | 48,720 | 3.98 |
| Societe Generale Ghana Limited | 72,325 | 59,307 | 1.50 | 72,325 | 44,842 | 3.66 |
| Insurance | | | | | | |
| Enterprise Group Limited | 20,900 | 77,330 | 1.96 | 20,900 | 50,160 | 4.10 |
| Oil Marketing Companies | | | | | | |
| Total Petroleum Ghana Limited | 1,900 | 6,707 | 0.17 | 1,900 | 3,762 | 0.31 |
| Total | | 537,067 | | | 260,413 | |

14. Account Payables

| | 2017 | 2016 |
|------------------------|----------------|----------------|
| | GH¢ | GH¢ |
| Accrued audit fees | 11,900 | 10,350 |
| Accrued custodian fees | 8,150 | 4,853 |
| SEC fees | 5,362 | 3,193 |
| Other payables | 1,750 | 1,755 |
| Due to IHL | 79,964 | 108,767 |
| Total | 107,126 | 128,918 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

15. Capital Account

| | 2017 | | 2016 | |
|--------------------------------|---------------------|------------------|---------------------|----------------|
| | Number of Shares | GH¢ | Number of Shares | GH¢ |
| Shares in issue at 1 January | 7,687,906 | 783,032 | 8,257,387 | 864,959 |
| Shares issued during the year | 13,386,282 | 2,562,131 | 250,614 | 36,695 |
| | 21,074,188 | 3,345,163 | 8,508,001 | 901,654 |
| Shares redeemed | (1,640,373) | (287,505) | (820,095) | (118,622) |
| Shares in issue at 31 December | 19,433,815 | 3,057,658 | 7,687,906 | 783,032 |

16. Fund Management Fee

The Fund appointed UMB Investment Holdings Limited, an Investment Management Company incorporated in Ghana, to implement the investment strategy as specified in its prospectus. Under the investment management agreement, the Investment Manager receives a management fee at an annual rate of 2.5% of the net asset value attributable to holders of redeemable shares as defined in the prospectus. The investment management fees incurred during the year amounted to GH¢53,618 (2016: GH¢31,928).

17. Related Party Transactions

a. Due to UMB Investment Holdings Limited (UMB IHL)

UMB Investment Holdings Limited is the Fund Manager of the Fund. The Fund's operations and payments are carried out by the Fund Manager on behalf of the Fund. The transactions during the year and balance at 31 December were as follows:

| | 2017 | 2016 |
|----------------|---------------|----------------|
| | GH¢ | GH¢ |
| Due to UMB IHL | 79,964 | 108,767 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

18. Retained Earnings

| | 2017 | 2016 |
|---------------------|----------------|----------------|
| | GH¢ | GH¢ |
| At 1 January | 442,198 | 255,210 |
| Profit for the year | 454,959 | 186,988 |
| At 31 December | 897,157 | 442,198 |

19. Other Operating Income

| | | |
|-----------------|---------------|---------------|
| Dividend income | 17,165 | 20,510 |
|-----------------|---------------|---------------|

20. Notes to Cashflow Statement

i. Changes in Government Securities

| | | |
|----------------------|---------------|--------------|
| Opening balance | 107,952 | 107,952 |
| Current year balance | (8,892) | (107,952) |
| | 99,060 | - |
| Interest receivable | 652 | 7,952 |
| | 99,712 | 7,952 |

ii. Interest Received

| | | |
|---------------------|----------------|----------------|
| Interest Income | 436,779 | 265,116 |
| Interest receivable | (226,612) | (96,389) |
| Interest Received | 210,167 | 168,727 |

iii. Changes in Fixed Deposit

| | | |
|----------------------|--------------------|------------------|
| Opening Balance | 971,965 | 748,875 |
| Current year Balance | (2,086,358) | (971,965) |
| | (1,114,393) | (223,090) |
| Interest receivable | 225,960 | 88,437 |
| | (888,433) | (134,653) |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 - cont'd

20. Notes to Cashflow Statement (Cont'd)

iv. Operating Expenses

| | 2017 | 2016 |
|-------------------------|----------------|----------------|
| | GH¢ | GH¢ |
| Operation Expenses | (135,798) | (53,621) |
| Provisions and accruals | 134,425 | 52,102 |
| | (1,373) | (1,519) |

v. Changes in Account Payable

| | | |
|-------------------------|------------------|-------------|
| Opening Balance | (128,918) | (76,839) |
| Closing Balance | 107,126 | 128,918 |
| | (21,792) | 52,079 |
| Provisions and accruals | (134,425) | (52,102) |
| | (156,217) | (23) |

21. Cash and Cash Equivalents

| | 2017 | 2016 |
|--|------------------|---------------|
| | GH¢ | GH¢ |
| Deposits with Stanbic Bank | 640 | 11,154 |
| Deposit with Universal Merchant Bank Limited | 26,804 | 2,664 |
| Short Term Investment | 1,402,180 | - |
| | 1,429,624 | 13,818 |

Cash and cash equivalents include notes and coins on hand, balances held with Banks and highly liquid financial assets with original maturities of three (3) months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost.



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PROXY FORM

4th Annual General Meeting of UMB Balanced Fund Limited to be held on, Wednesday 18th July, 2018 at 10:00a.m. at Coconut Grove Regency Hotel, North Ridge

I/We.....
of.....
.....

Being a member/members of UMB Balanced Fund Limited hereby appoint
.....or failing him/her, the duly appointed Chairman of the meeting as, my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Fund to be held at Coconut Grove Regency Hotel, North-Ridge, Accra on Wednesday, 18th July 2018 at 10.00 a. m.. and at any adjournment thereof.

I/We direct that my/our vote(s) be cast on the specified resolution as indicated by an X in the appropriate space.

| No. | Resolutions | For | Against |
|-----|--|-----|---------|
| 1. | <p>Approval of accounts</p> <p>The General Meeting adopts the accounts of the Company for the financial year ended on December 31, 2017. The General Meeting discharges the Directors and Auditors from all liabilities in relation to any act or action performed by them with respect to the affairs of the Company for the financial year ended December 31, 2017.</p> | | |
| 2. | <p>Confirmation of Continuing Director</p> <p>The General Meeting confirms the re-appointment of Mr. Ernest Gemadzie as a continuing Director.</p> | | |
| 3. | <p>Confirmation of Continuing Director</p> <p>The General Meeting confirms the re-appointment of Mrs. Nelly Abotchie as a continuing Director.</p> | | |

PROXY FORM - cont'd

| No. | Resolutions | For | Against |
|-----|---|-----|---------|
| 4. | <p>Directors remuneration</p> <p>The General Meeting hereby declares that, Directors Remuneration shall be maintained at the existing rates and set out in the annual report.</p> | | |
| 5. | <p>Determination of Auditors Fees</p> <p>The General Meeting authorizes the Board of Directors to determine/fix the remuneration of the Auditors for the Company's 2018 audit.</p> | | |

Dated thisday of2018

Signature of Shareholder(s).....

Notes



Notes



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