



Annual Report

2016





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Notice of 3rd Annual General Meeting

NOTICE IS HEREBY GIVEN that, the 3rd Annual General Meeting of UMB Balanced Fund Limited (formally Merban Fund) will be held on Wednesday, 19th July, 2017 at 11.00 a.m. at the Alisa Hotel, North Ridge, Accra to transact the following businesses:

AGENDA

Ordinary business

1. To receive the report of the Chairman.
2. To receive the report of the Fund Manager.
3. To receive and consider for adoption, the Reports of the Directors, Auditors, and the Financial Statements for the year ended 31st December, 2016.
4. To authorize the Directors to appoint and fix the fees of the Auditors for the 2017 financial year.

Dated this 10th day of May, 2017.

BY ORDER OF THE BOARD



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.

Resolutions To Be Passed at the UMB Balanced Fund 2016 Annual General Meeting

The Board of Directors will be proposing the following resolutions, which will be put to the 2017 Annual General Meeting:

RESOLUTION 1 – APPROVAL OF ACCOUNTS

The general meeting approves the financial statements of the Company for the financial year ended on December 31st, 2016. 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 31st, 2016.

RESOLUTION 2 – FIXING OF AUDITORS FEES

The General Meeting hereby authorizes the Board of Directors to fix the remuneration of the Auditors for the Company's 2016 audit.

Corporate Information

**BOARD OF
DIRECTORS**

Mr. Felix Kwaku Appiakorang Date (*Chairman*)
Mr. Ernest Pascal Gemadzie
Mrs. Nelly Naki Gome Abotchie
Mr. Patrick Amanor Buckor (*Resigned 05/04/2016*)
Mr Amenyo Kodzo Setordzie (*Resigned 30/09/2016*)

REGISTERED OFFICE

No. 57 Dr. Isert Street
North Ridge
Accra

SECRETARY

Brenda Semevo Afari (Mrs.)
No. 57 Dr. Isert Street
North Ridge
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 delighted to welcome you to the third Annual General Meeting of Merban Fund, now UMB Balanced Fund Limited. On behalf of the Board of Directors and Managers of the Fund, I would like to express our deepest appreciation to you, our valued shareholders for the faith you have placed in UMB Balanced Fund throughout 2016. UMB Balanced Fund closed the year with a return of 17.48%, even though the Ghana Stock Exchange Composite Index (GSE-CI) posted returns of -15.33. The money market also experienced a decline in the fourth quarter of the year under review. In this report I will give you a summary of the performance of Ghana's Economy in 2016, Board changes, followed by our outlook for 2017.

Board Changes

There were two resignations from the Board in the year, Messrs Patrick Buckor and Messrs Amenyo Setordzie. I would like to take this opportunity to thank both of them for their meritorious contribution to the Board. There was no new appointment to the Board in 2016.

Performance of Ghana's Economy in 2016

The year ended with the successful December 2016 polls, prior to which there were several bond issues amidst the tight policy stance and relative stability of the Cedi. Energy supply also improved, along with business confidence, with the entry of four (4) new banks into the financial services landscape.

Inflation declined to 15.40% at the end of the year, from 19.00% at the beginning of the year. Weak private sector credit growth due to the tight credit stance for most parts of the year saw the Bank of Ghana reducing the policy rate by 50 basis points from 26.00% to 25.50%

A number of measures adopted by the Central Bank including exchange control restrictions helped the local currency record a relatively stable performance on the forex market compared to its performance in 2015. According to the Bank of Ghana, the Cedi depreciated by 9.53% against the US Dollar; this was an improvement as compared to the depreciation rate of 18.57% recorded in 2015.

The government also implemented its fiscal consolidation program which involved keeping expenditure under control. As a result, there were sharp declines in both short

and long term treasury rates. The yield on the 91 day Treasury bill dropped from 22.90% at the beginning of 2016 to 16.43% at the end of the year. The rate of the 182 day bill declined from 24.45% to 17.64%. The 1 Year Note weakened from 23.00% to 21.00% while the 2 Year Note ended the year at 22.50% from 23.30% at the beginning of the year.

Outlook for 2017

The Ghanaian economy is expected to record an improved growth in 2017, owing to a gradual pickup in commodity prices, as well as a boost in oil and gas production. With respect to government revenues, the November 30, 2016 agreement between all 14 member countries of the Organization of Petroleum Exporting Countries (OPEC) to decrease oil production will consequently lead to an increase in oil prices, which will translate into increased oil revenues for Ghana. The IMF and World Bank remain upbeat about Ghana's outlook, projecting 4.00% and 6.00% growth, respectively. Money market rates are expected to decline in 2017 mainly due to the government's medium and long term debt management strategy which seeks to reduce short term borrowing. The year is likely to end with an inflation rate between 12.58% and 12.76%. The Cedi's depreciation rate is also expected to stabilize due to the implementation of comprehensive measures to block foreign exchange leakages to limit volatility, coupled with the increase in foreign reserves. Overall, the conditions in the operating environment of the UMB Balanced Fund (formally Merban Fund) in 2017 are expected to be better.

Conclusion

As the adage goes, little drops of water makes a mighty ocean, and when it comes to investments, consistency and discipline is key to building capital so we implore all our clients to take advantage of the current arrangement with Universal Merchant Bank to top up their investment at any of the UMB branches, or visit our office at North Ridge. For those of our clients in Kumasi, you can also visit our UMB IHL branch in Adum which is located on the 1st Floor of the Kama Plaza Building.

Going forward we intend to leverage on mobile platforms such as mobile money and other electronic payment systems to provide convenience and options for you our valued shareholders.

The Board and Management of UMB Balanced Fund remain dedicated to growing your Fund and will assist the Fund Manager overcome any challenges that might crop up so as to perform and 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!

Mr. Felix Kwaku Appiakorang Date
Board Chairman

Report of the Directors to Members of Merban Fund

The Directors present their report and the financial statements of the Fund for the year ended 31 December 2016.

Directors' Responsibility Statement

The Directors are responsible for the preparation of financial statements that give a true and fair view of Merban Fund, comprising the statement of financial position at 31 December 2016, 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 2016 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.

Approval of the Financial Statements

The financial statements of Merban Fund, as identified in the first paragraph, were approved by the Board of Directors on 31st March, 2017 and signed on their behalf by:



Director



Director

Independent Auditor's Report to Members of Merban Fund

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Merban Fund ("the Company"), which comprise the statement of financial position at 31 December 2016, and the statements of comprehensive income, changes in equity 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 17 to 28.

In our opinion, these financial statements give a true and fair view of the financial position of Merban Fund as at 31 December 2016, 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.

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.

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 the Directors 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 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.

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.

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).



FOR AND ON BEHALF OF:
KPMG: (ICAG/F/2017/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELNKPE
P O BOX GP 242, ACCRA.

31st March, 2017

Fund Manager's Report for the Year Ended December 31, 2016

What was the Global Economic Overview in 2016?

The global economy in 2016 saw some unexpected events. Notable among them was the US election which saw Donald Trump as President as well as United Kingdom's exit from the European Union, dubbed Brexit. As a result global GDP growth stood at 2.30%; a decline from the 2.70% recorded in 2015. The year was also marked with declining investment, stagnant global trade and increased policy.

Ghana's economic performance during 2016 was mixed. After making solid progress in bringing the fiscal deficit down from 10.20% of GDP in 2014 to 6.30% in 2015, the 2016 target of 5.3% of GDP was missed by a wide margin, with the deficit widening to 9.00% of GDP. Nevertheless, GDP growth of 3.60% was slightly higher than the forecast of 3.30%.

Headline inflation rate which closed at 17.70% in 2015, steadily trended downwards to close at 15.40% in 2016. The 91 Day Treasury Bill rate started the year at 22.90% but declined to 16.43% in December 2016. The 182 Day Treasury Bill rate also dipped from 24.45% in January 2016 to 17.64% in December 2016. The One Year Note which commenced the year at 23.00% declined to 21.00% as at the close of the year 2016. The decline in both short and long term treasury rates was as a result of the government's fiscal consolidation program which amongst other things involved reducing public debt and keeping expenditure under control through the containment of the wage bill and other current expenditure. With regards to the exchange rate, the Ghana Cedi depreciated by 9.53% against the US Dollar and 5.36% to the Euro but appreciated by 10% against the Pound Sterling.

The stock market has been bearish for two consecutive years leading to capital losses by investors. The benchmark GSE Composite Index recorded a negative return of -15.33% on the back of weak earnings by most listed companies and concerns about macroeconomic stability. The GSE Financial Stock Index returned -19.90% as a result of the weak performance of banks due to their huge non-performing loans. This consequently weighed on the prices of most equities, and was deepened by the attractive rates offered on the money market, as many investors sought safe havens in government securities and fixed deposits. Market Capitalization stood at GH¢52.691 billion at year end 2016 reflecting a decline of 7.75% on a year-on-year basis.

How did the Fund Perform?

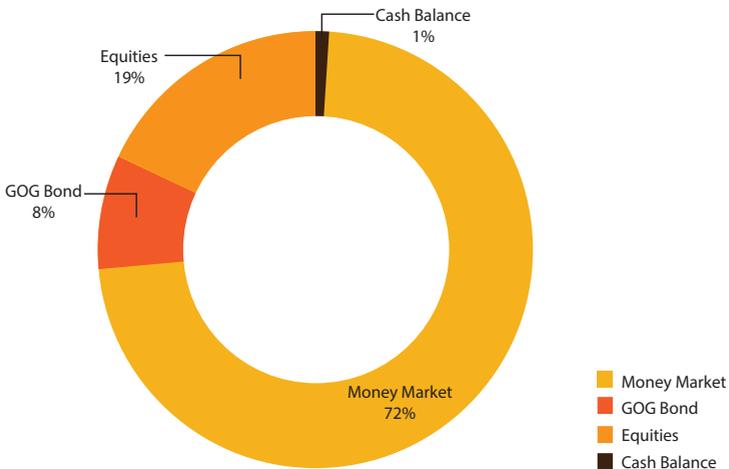
The value of the Fund as at December 31, 2016 stood at GHS1, 225,230 compared to GHS1, 120,169 in January 1, 2016, representing 9.38% growth in the Fund's asset under management. The number of issued shares in the Fund decreased from 8,257,387 as at 31st December 2015 to 7,687,906 by year end, December 2016. The decrease was due to significant redemption by some corporate institutions which dissolved their provident funds, therefore had to redeem their investments in the Fund.

The Fund posted a return of 17.48%, which significantly exceeded the performance of the GSE Composite Index of -15.33 but less than the 1 year note interest rate of 23.00%. The return on the portfolio would have been higher but for the abysmal performance of the Ghana Stock Exchange in 2016.

What was the funds Portfolio Allocation by the end of 2016?

The asset allocation of the Fund as at December 31, 2016 is presented below.

PORTFOLIO ALLOCATION



The Fund has 19% of its portfolio in equities listed on the Ghana Stock Exchange. The rest 72% is invested in Fixed Income Securities in general. Fixed Deposits make up 63.00%, Government/Bank of Ghana securities make up 8% and cash is 1% of the portfolio.

The Fund Manager will continue to rebalance the portfolio to reflect happenings in the market in order to forestall losses and maximize returns on the portfolio.

What Should Shareholders expect in 2017?

The Ghanaian economy is expected to record moderate growth in 2017, owing to a gradual pick up in gold and crude oil prices as well as a boost in oil and gas production. With respect to government revenues, the November 30, 2016 agreement between all 14 member countries of the Organization of Petroleum Exporting Countries (OPEC) to decrease oil production is expected to lead to an increase in oil prices which will translate into increased oil revenues for Ghana.

The declining inflation, anticipated reduction in monetary policy rate, and the government's strategy to reduce short term borrowing will continue to push short and medium term rates downwards, thus making the money market less attractive for investors. Consequently, investors in search of relatively higher returns will be seeking positions in high yielding stocks, thus boosting the performance of the stock exchange.

We will continue to consider opportunities that will achieve growth in income while conserving the principal investment of you our cherished shareholders. We thank you for your investment in UMB Balanced Fund (Formally Merban Fund) and we look forward to a good year.

Fund Manager

Statement Of Financial Position at 31 December, 2016

| | Note | 2016 GH¢ | 2015 GH¢ |
|-------------------------------|------|------------------|------------------|
| Assets | | | |
| Cash at bank | 6 | 13,818 | 41,571 |
| Government securities | 7 | 107,952 | 107,952 |
| Fixed deposits | 8 | 971,965 | 748,875 |
| Investment in listed equities | 9 | 260,413 | 298,610 |
| Total Assets | | 1,354,148 | 1,197,008 |
| Liabilities | | | |
| Accounts payables | 10 | 128,918 | 76,839 |
| Total liabilities | | 128,918 | 76,839 |
| Total Net Assets | | 1,225,230 | 1,120,169 |
| Equity | | | |
| Share capital | 11 | 783,032 | 864,959 |
| Retained earnings | 14 | 442,198 | 255,210 |
| Total Equity | | 1,225,230 | 1,120,169 |



Director



Director

Statement Of Comprehensive Income For The Year Ended 31 December 2016

| | Note | 2016 GH¢ | 2015 GH¢ |
|---|------|-----------------|-----------------|
| Interest income | 3 | 265,116 | 204,664 |
| Dividend income | 15 | 20,510 | 14,310 |
| Total Revenue | | 285,626 | 218,974 |
| Fund management fees | 12 | (31,928) | (27,166) |
| Auditors remuneration | | (10,350) | (9,000) |
| Custodian fees | | (4,853) | (4,130) |
| Net gain from financial instruments at fair value through profit or loss | | (45,017) | (54,270) |
| Other expenses | 4 | (4,971) | (1,646) |
| Total Operating Expenses | | (97,119) | (96,212) |
| Increase in net assets attributable to holders of redeemable shares before tax | | 188,507 | 122,762 |
| Withholding tax expense | | (1,519) | (1,145) |
| Increase in net assets resulting from operations | | 186,988 | 121,617 |

Statement of Changes in Net Assets Attributable To **Holders of Redeemable Shares For The Year Ended 31 December 2016**

| | Note | 2016 GHC | 2015 GHC |
|--|------|-------------|-------------|
| Balance at 1 January | | 1,120,169 | 954,968 |
| Increase in net assets attributable to holders of redeemable shares | | 186,988 | 121,617 |
| <i>Contributions and redemptions by holders of redeemable shares:</i> | | | |
| Issue of redeemable shares during the year | | 36,695 | 88,206 |
| Redemption of redeemable shares during the year | | (118,622) | (44,622) |
| Balance at 31 December | | 1,225,230 | 1,120,169 |

Statement Of Cash Flows

For The Year Ended 31 December 2016

| | 2016 GH¢ | 2015 GH¢ |
|---|-------------|-------------|
| Cash flows from operating activities | | |
| Interest received | 168,727 | 137,961 |
| Dividend received | 20,510 | 14,310 |
| Operating expenses | (1,519) | (1,145) |
| | 187,718 | 151,126 |
| Changes in operating activities | | |
| Government securities | 7,952 | 9,300 |
| Fixed deposits | (134,653) | (143,374) |
| Accounts payable | (23) | (13,977) |
| Net cash from operating activities | 60,994 | 3,075 |
| Cash flows from investing activities | | |
| Purchase of long term investment | (6,820) | (59,922) |
| Proceed from disposal of investment | - | 11,643 |
| Net Cash used in investing activities | (6,820) | (48,279) |
| Cash flows from financing activities | | |
| Proceeds from issue of redeemable shares | 36,695 | 88,206 |
| Payments on redemption of redeemable shares | (118,622) | (44,622) |
| Net cash (used in)/from financing activities | (81,927) | 43,584 |
| Net decrease in cash and cash equivalents | (27,753) | (1,620) |
| Cash and cash equivalents at 1 January | 41,571 | 43,191 |
| Cash and cash equivalents at 31 December | 13,818 | 41,571 |

Notes To The Financial Statements

For The Year Ended 31 December 2016

1. GENERAL INFORMATION

Merban Fund 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.

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 to 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 balances 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:

- 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.

4. INTEREST INCOME

| | 2016 | 2015 |
|-----------------------------------|----------------|----------------|
| | GH¢ | GH¢ |
| Interest on placements | 242,116 | 181,291 |
| Interest on government securities | 23,000 | 23,373 |
| | <u>265,116</u> | <u>204,664</u> |

5. OTHER EXPENSES

| | 2016 | 2015 |
|-------------------|--------------|--------------|
| | GH¢ | GH¢ |
| Vat on audit fees | 4,948 | 1,575 |
| Bank charges | 23 | 71 |
| | <u>4,971</u> | <u>1,646</u> |

6. NET GAIN/LOSS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair Value (loss)/gain on equity investment

| | 2016 GH¢ | 2015 GH¢ |
|---|-------------|-------------|
| Cost of Investment at 1 January | 324,594 | 294,497 |
| Additions | 6,820 | 59,922 |
| Disposals | - | (29,825) |
| Cost of Investment at 31 December | 331,414 | 324,594 |
| Fair value (loss)/gain at 1 January | (25,984) | 10,104 |
| Fair value (loss) during the year | (45,017) | (36,088) |
| Fair value of Investment at 31 December | (71,001) | (25,984) |
| Investment balance at 31 December | 260,413 | 298,610 |

7. BANK BALANCES

| | 2016 GH¢ | 2015 GH¢ |
|--|-------------|-------------|
| Deposits with Stanbic Bank | 11,154 | 30,357 |
| Deposit with Universal Merchant Bank Limited | 2,664 | 11,214 |
| | 13,818 | 41,571 |

8. GOVERNMENT SECURITIES

| | 2016 GH¢ | 2015 GH¢ |
|---------------------|----------------|----------------|
| 2 Year Note | 100,000 | 100,000 |
| Interest receivable | 7,952 | 7,952 |
| | <u>107,952</u> | <u>107,952</u> |

9. FIXED DEPOSIT

| | 2016 GH¢ | 2015 GH¢ |
|------------------------|----------------|----------------|
| 182-days fixed deposit | 267,000 | 474,666 |
| 91-days fixed deposit | 471,629 | 100,000 |
| 1 year fixed deposit | 144,899 | 115,458 |
| Interest receivable | 88,437 | 58,751 |
| | <u>971,965</u> | <u>748,875</u> |

10. LONG TERM INVESTMENTS

| Description | 2016 | | | 2015 | | |
|---------------------------------------|------------------------|------------------------|-----------------|------------------------|------------------------|-----------------|
| | Number of Shares | Market Value GH¢ | % Net Assets | Number of Shares | Market Value GH¢ | % Net Assets |
| Banking | | | | | | |
| CAL Bank Limited | 37,100 | 27,825 | 2.27 | 37,100 | 37,100 | 3.32 |
| Ecobank Ghana Limited | 6,400 | 40,960 | 3.35 | 6400 | 44,864 | 4.01 |
| GCB Bank Limited | 12,400 | 44,144 | 3.98 | 12,400 | 46,996 | 4.20 |
| Standard Chartered Bank Limited | 4,000 | 48,720 | 3.98 | 4,000 | 65,200 | 5.83 |
| Societe Generale Ghana Limited | 72,325 | 44,842 | 3.66 | 55,750 | 44,600 | 3.99 |

| | 2016 | 2015 | 2016 | 2015 | 2015 |
|--------------------------------|--------|----------------|------|--------|----------------|
| Insurance | | | | | |
| Enterprise Group Limited | 20,900 | 50,160 | 4.10 | 20,900 | 50,160 |
| SIC Insurance Company Limited | | | | - | - |
| Oil Marketing Companies | | | | | |
| Total Petroleum Ghana Limited | 1,900 | 3,762 | 0.31 | 1,900 | 9,690 |
| Total | | <u>260,413</u> | | | <u>298,610</u> |

11. ACCOUNT PAYABLES

| | 2016 GH¢ | 2015 GH¢ |
|------------------------|----------------|---------------|
| Accrued audit fees | 10,350 | 9,000 |
| Accrued custodian fees | 4,853 | 4,130 |
| SEC fees | 3,193 | - |
| Other payables | 1,755 | 1,575 |
| Due to IHL | 108,767 | 62,134 |
| | <u>128,918</u> | <u>76,839</u> |

12. CAPITAL ACCOUNT

| | 2016 | | 2015 | |
|--------------------------------|------------------|----------------|------------------|----------------|
| | Number of Shares | GH¢ | Number of Shares | GH¢ |
| Shares in issue at 1 January | 8,257,387 | 864,959 | 7,919,666 | 821,375 |
| Shares issued during the year | 250,614 | 36,695 | 691,447 | 88,206 |
| | 8,508,001 | 901,654 | 8,611,113 | 909,581 |
| Shares redeemed | (820,095) | (118,622) | (353,726) | (44,622) |
| Shares in issue at 31 December | <u>7,687,906</u> | <u>783,032</u> | <u>8,257,387</u> | <u>864,959</u> |

13. 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¢31,928 (2015: GH¢27,166)

14. 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:

| | 2016 GH¢ | 2015 GH¢ |
|----------------|----------------|---------------|
| Due to UMB IHL | <u>108,767</u> | <u>62,134</u> |

15. RETAINED EARNINGS

| | 2016 | 2015 |
|---------------------|----------------|----------------|
| | GHC | GHC |
| At 1 January | 255,210 | 133,593 |
| Profit for the year | 186,988 | 121,617 |
| At 31 December | <u>442,198</u> | <u>255,210</u> |

16. OTHER OPERATING INCOME

| | 2016 | 2015 |
|-----------------|---------------|---------------|
| | GHC | GHC |
| Dividend income | <u>20,510</u> | <u>14,310</u> |

Proxy Form

3rd Annual General Meeting of UMB Balanced Fund Limited (formally Merban Fund) to be held on, Wednesday, 19th July, 2017 at 11.00 a.m. at the Alisa Hotel, North-Ridge, Accra.

I/We

of

being a shareholder(s) of the above-named Company hereby appoint

.....

of

or failing him/her duly appoint

of

as my/our Proxy to vote for me/us on my/our behalf at the Annual/Extraordinary General Meeting of the Company to be held on the 19th July, 2017 and at any adjournment thereof.

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

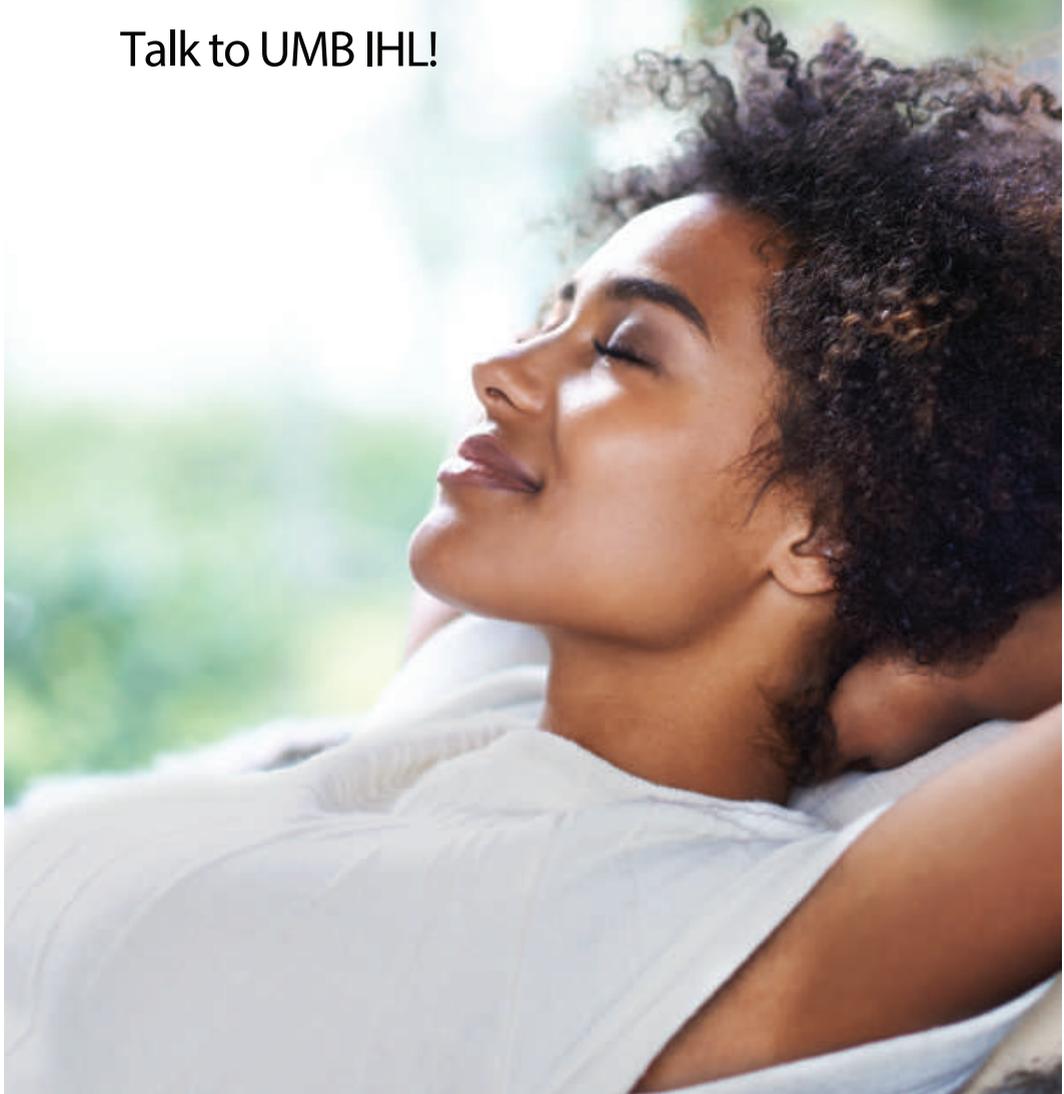
| No. | Resolutions | For | Against |
|-----|--|-----|---------|
| 1 | The general meeting approves the financial statements of the Company for the financial year ended on December 31st, 2016. The general meeting discharges the directors and auditors from all liabilities in relation to any act or action performed by them with respect to the affairs of the Company for the financial year ended December 31st, 2016. | | |
| 2 | The General Meeting hereby authorizes the Board of Directors to fix the remuneration of the Auditors for the Company's 2017 audit. | | |

Signed this day of 2017

.....
Signature of Shareholder(s)

You have **piece of mind** when your money is in the right hands

Talk to UMB IHL!





57 Dr. Isert Street, North Ridge
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